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IN THE

# Supreme Court of the United States

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,
*Petitioner*,

v.

JOHN WILEY & SONS, INC.,
*Respondent*.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

## PETITION FOR A WRIT OF CERTIORARI

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## QUESTION PRESENTED

Section 505 of the Copyright Act provides that a "court may ... award a reasonable attorney's fee to the prevailing party" in a copyright case. 17 U.S.C. § 505. The Ninth and Eleventh Circuits award attorneys' fees when the prevailing party's successful claim or defense advanced the purposes of the Copyright Act. The Fifth and Seventh Circuits employ a presumption in favor of attorneys' fees for a prevailing party that the losing party must overcome. Other courts of appeals primarily employ the several "nonexclusive factors" this Court identified in dicta in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994). And the Second Circuit, as it did in this case, places "substantial weight" on whether the losing party's claim or defense was "objectively unreasonable." *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001).

The question presented is:

What is the appropriate standard for awarding attorneys' fees to a prevailing party under § 505 of the Copyright Act?

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## INTRODUCTION

The paradigmatic example of a circuit split must be that a party would prevail in one court of appeals but lose on precisely the same issue in another court of appeals for the sole reason that the law in the courts of appeals differs. That is precisely the situation here.

Respondent John Wiley & Sons, Inc. ("Wiley") sued Petitioner Kirtsaeng for copyright infringement. Wiley is a publisher of textbooks and claimed that Kirtsaeng had infringed Wiley's copyrights in those textbooks by purchasing them in other countries, where Wiley sold them on the cheap, and then reselling them in the United States for less than Wiley sold the same books domestically. This Court held in *Kirtsaeng v. John Wiley & Sons, Inc.*, that under the "first sale" doctrine, codified at 17 U.S.C. § 109(a), Kirtsaeng, as the lawful owner of the particular physical copy of the textbook purchased abroad, was permitted to resell that copy of the book in the United States without infringing Wiley's copyright. 133 S. Ct. 1351 (2013), *reproduced at* Pet. App. 29a-113a.[1] After this Court's decision, the Second Circuit held (without dispute) that Kirtsaeng had a complete and absolute defense to Wiley's claim of infringement and reversed the original adverse judgment of the district court.

Having prevailed, Kirtsaeng sought his attorneys' fees under § 505 of the Copyright Act, by which

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[1] The appendix to this petition is "Pet. App." The Joint Appendix below is "C.A." Documents preceded by "C.A." were filed in the court of appeals.

a "court may ... award a reasonable attorney's fee to the prevailing party." 17 U.S.C. § 505. This is where the split comes into play. Had Kirtsaeng prevailed in the Ninth or Eleventh Circuit, he would have obtained his reasonable attorneys' fees. Had he prevailed in the Fifth or Seventh Circuits, he would have had a rebuttable presumption in favor of obtaining his attorneys' fees. Had he prevailed in the Third, Fourth, or Sixth Circuits, Kirtsaeng very likely would have obtained his attorneys' fees. Unluckily for Kirtsaeng, Wiley sued him in the Southern District of New York, and so when Kirtsaeng prevailed, he prevailed in the Second Circuit, where Second Circuit precedent meant Kirtsaeng could not obtain his attorneys' fees.

Unlike the other circuits, the Second Circuit places "substantial weight" on the whether the losing party's claim or defense was objectively unreasonable, Pet. App. 4a—which is to say, whether the losing party's claim was clearly without merit or devoid of legal or factual basis. The Second Circuit's emphasis on objective unreasonableness is not grounded in the fee provision of the Copyright Act. Instead, it originates in a rule from a bygone era, long rejected by this Court, that fee awards in copyright cases, especially for prevailing defendants, should be a rare punishment against plaintiffs who brought frivolous, baseless, or unreasonable lawsuits.

Because the Second Circuit's decision splits with the approaches of the other courts of appeals and is inconsistent with this Court's precedent, this Court should grant cert to address the proper standard for awarding fees under the Copyright Act.

## OPINIONS AND ORDERS BELOW

The opinion of the court of appeals affirming the denial of Kirtsaeng's fee request is reported at 605 F App'x 48, and reproduced at Pet. App. 1a-5a. The district court's opinion is reported at 2013 U.S. Dist. LEXIS 179113, and reproduced at Pet. App. 6a-24a.

## JURISDICTION

The court of appeals rendered its decision on May 27, 2015. On August 17, 2015, Justice Ginsburg extended the time for filing a petition to and including September 24, 2015. This Court has jurisdiction under 28 U.S.C. § 1254(1).

## STATUTORY PROVISIONS INVOLVED

Section 505 of the Copyright Act provides:

> In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505.

## STATEMENT OF THE CASE

### *Wiley Erroneously Claims Kirtsaeng Infringed Its Copyrights*

Kirtsaeng is a citizen of Thailand, who was temporarily living in the United States, studying mathematics at Cornell and then the University of Southern California. Pet. App. 34a. Kirtsaeng "paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return." *Id.* After "successfully complet[ing] his undergraduate courses ... [and] a Ph.D.," Kirtsaeng "returned to Thailand to teach." *Id.*

Wiley is a publisher of textbooks in the United States and abroad. Pet. App. 32a. Many of the English-language textbooks Wiley sells abroad are "essentially equivalent" to the versions sold in the United States, with the exception of the price: The textbooks printed and sold abroad are sold "at low[er] prices" than those sold in the United States. Pet. App. 34a.

While "studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they were sold at low prices, and mail them to him in the United States." *Id.* "Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit." *Id.*

In 2008, Wiley sued, claiming Kirtsaeng infringed its copyrights by bringing the textbooks into the United States and reselling them. Pet. App. 35a.

Kirtsaeng argued that the importation and resale of the textbooks was not copyright infringement under the "first sale" doctrine, codified at 17 U.S.C. § 109(a).[2] Under the "first sale" doctrine, the lawful owner of a particular "*copy*" of a work is "free to dispose of [that copy] as they wish" because "the 'first sale' has 'exhausted' the copyright owner's ... exclusive distribution rights" in that copy. Pet. App. 30a.

The district court held that Kirtsaeng could not use the "first sale" doctrine as a defense because, in the district court's view, the doctrine does not apply to foreign-manufactured works. Pet. App. 156a-87a. With Kirtsaeng unable to assert the "first sale" doctrine as a defense, the jury found that Kirtsaeng willfully infringed Wiley's copyrights and assessed $600,000 in statutory damages against Kirtsaeng. *See* Pet. App. 35a.

A divided panel of the Second Circuit agreed that the "first sale" doctrine does "not [apply] to foreign-manufactured works." Pet. App. 140a. In reaching its decision, the panel "freely acknowledge[d]" that the issue presented "a particularly difficult question of statutory construction." Pet. App. 141a. Indeed, whether the "first sale" doctrine applies to works manufactured abroad had divided this Court 4-4 just two terms earlier, *Costco Wholesale Corp. v. Omega S.A.*, 131 S. Ct. 565 (2010) (affirming by an equally divided Court). *See* Pet. App. 139a.

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[2] "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title ... is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109(a).

***This Court Vindicates Kirtsaeng And Clarifies The Scope Of The "First Sale" Doctrine***

This Court granted Kirtsaeng's petition for certiorari and reversed. Pet. App. 35a-50a. In short, this Court concluded, based on the language of § 109(a), that so long as the work in question was made in compliance with the Copyright Act, the first sale of that copy—regardless of where it was manufactured or sold—extinguishes the copyright holder's exclusive right to, among other things, import and resell that copy of the work. Pet. App. 36a-50a.

In reaching its conclusion, the Court relied on the policy consequences highlighted by Kirtsaeng and his amici. Pet. App. 52a-56a. The amici—through their experience buying and selling copyrightable works manufactured abroad—demonstrated "the practical copyright-related harms" that would occur if, as Wiley had urged, works manufactured and sold abroad could not be imported and resold in the United States without prior approval of the copyright holder. These "horribles" included "the disruptive impact of the threat of [copyright] infringement suits" on "many, if not all, of" the "over $2.3 trillion worth of foreign goods [that] [a]re imported" and sold in the United States annually. Pet. App. 54a-55a. Such "horribles," this Court feared, were "too serious, too extensive, and too likely to come about" to ignore, "particularly in light of the ever-growing importance of foreign trade to America." Pet. App. 55a, 57a-58a.

Accordingly, relying on the statutory language of § 109(a), its legislative history, and consequences that would befall the economy under Wiley's inter-

pretation, the Court held that the "first sale" doctrine protected the importation and resale of works manufactured and purchased abroad.

This Court's decision in Kirtsaeng's favor came as a surprise to commentators who had been following the issue. C.A. 399-411. Kirtsaeng's defense had lost two terms earlier when this Court split 4-4. *See* Pet. App. 131a-132a. But in *Kirtsaeng*, with nine justices eligible to hear the matter, Kirtsaeng was able to prevail by taking a dramatically different approach to the statutes in question from the approach pressed by the defendant in the earlier case. C.A. 360-63 (¶¶ 22-24, 36). The shift in strategy worked, and Kirtsaeng prevailed 6-3, persuading the previously recused justice and another justice who must have sided against Kirtsaeng's position two years prior.

On remand, the Second Circuit held that "Kirtsaeng [has] a valid defense to copyright infringement," reversed the district court's judgment against Kirtsaeng, and remanded for further proceedings. Pet. App. 28a.

***Kirtsaeng Seeks His Attorneys' Fees, And The Lower Courts Rule Against Him, Again***

On remand, Kirtsaeng—as the now prevailing party—sought his attorneys' fees under § 505 of the Copyright Act. Wiley opposed Kirtsaeng's fee request both as to Kirtsaeng's entitlement to any fees and as to the reasonableness of the fees sought.

The district court held that Kirtsaeng was not entitled to fees at all (and therefore did not address

the reasonableness of the fees sought). Pet. App. 6a-24a. The district court began its analysis by finding that Wiley's suit was not "objectively unreasonable." Pet. App. 12a. Because the "[Second] Circuit has emphasized in particular the importance of ... objective unreasonableness," Pet. App. 10a, the rest of the district court's analysis flowed from that single finding. The court found "it ... true that this litigation clarified the boundaries of copyright law" and thus advanced the purposes of the Copyright Act. Pet. App. 18a. But, the court held that the "need to compensate" Kirtsaeng for vindicating his rights under the Copyright Act and advancing the Copyright Act's purposes was "not so strong as to outweigh the fact that Wiley's claim was not objectively unreasonable." Pet. App. 16a-17a. It did not matter that "Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act," that Kirtsaeng obtained a high "degree of ... success in this litigation," or that Kirtsaeng overcame a massive "imbalance of wealth and power between" him and Wiley. Pet. App. 17a-18a. To the district court, "none of these ... factors outweighs the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim." Pet. App. 18a; *see also* Pet. App. 15a-16a (any litigation misconduct by Wiley also would "not outweigh the important factor that [Wiley's] claim was objectively reasonable").

Kirtsaeng appealed, and the Second Circuit affirmed. Pet. App. 1a-5a. The panel acknowledged that it did "not agree in every instance with the district court's evaluation." Pet. App. 5a. Nevertheless, applying binding Second Circuit precedent, the court of appeals held that the district court properly

"placed 'substantial weight' on the reasonableness" of the losing plaintiff's claim. Pet. App. 4a (quoting *Matthew Bender & Co. v. W. Publ'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001)). To the Second Circuit, "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* (quoting *Matthew Bender*, 240 F.3d at 122). Thus, it did not matter that many other factors supported Kirtsaeng's request for fees because "th[o]se factors did not outweigh the 'substantial weight' afforded to John Wiley and Sons' objective reasonableness." Pet. App. 5a.

## REASONS FOR GRANTING THE PETITION

This Court should grant the petition because: (I) the courts of appeals are in utter disarray about the standard for considering fee requests under the Copyright Act; (II) the decision below contravenes this Court's precedent; and (III) this case presents an ideal vehicle to consider this important question of federal law.

### I. The Courts Of Appeals Are Hopelessly Split On The Proper Standard For Fee Awards Under The Copyright Act

Section 505 of the Copyright Act provides plainly that, in a copyright case, a "court may ... award a reasonable attorney's fee to the prevailing party as part of the costs." Nevertheless, the courts of appeals have long struggled with how to apply that simple statute.

Prior to this Court's decision in *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 520-21 (1994), the courts of appeals were divided about whether § 505 authorized courts to award attorneys' fees to "prevailing plaintiffs ... as a matter of course," but only to "prevailing defendants ... [who] show that the original suit was frivolous or brought in bad faith." This double standard on attorneys' fees for prevailing plaintiffs and defendants was borne out of an old district court precedent from within the Second Circuit that held: "In the case of a prevailing defendant, ... if an award is to be made at all, it represents a penalty imposed upon the plaintiff for institution of a baseless, frivolous, or unreasonable suit, or one instituted in bad faith." *Id.* at 532 n.18 (quoting *Breffort v. I Had a Ball Co.*, 271 F. Supp. 623, 627 (S.D.N.Y. 1967)); *see id.* at 521 n.8 (observing that the Second Circuit applied a disparate standard that placed "a greater burden ... upon prevailing defendants than prevailing plaintiffs").

*Fogerty* "reject[ed]" what this Court dubbed the "'dual' standard" treating prevailing plaintiffs "differently" from prevailing defendants. *Id.* at 520, 533. Because "a successful defense of a copyright infringement action may further the policies of the Copyright Act," "defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious claims of infringement." *Id.* at 527. In holding that "[p]revailing plaintiffs and prevailing defendants are to be treated alike," *id.* at 534, this Court offered "several nonexclusive factors" that courts "may" consider to "guide [their] discretion" under § 505, *id.* at 534 n.19. Those "nonexclusive factors ... include

'frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.'" *Id.* (citation omitted). This Court made clear, however, that any factors may be used in considering whether to award fees to a prevailing party under the Copyright Act, but only "so long as such factors are faithful to the purposes of the Copyright Act." *Id.* "[F]aithful[ness] to the purposes of the Copyright Act" was to be the primary "guide" to lower "courts' discretion." *Id.*

Even since *Fogerty*, the courts of appeals have continued to struggle with the standard for awarding attorneys' fees under § 505. Eight courts of appeals have split at least four ways in considering defendants' fee requests under § 505. Those standards range from a presumption in favor of fee awards (Fifth and Seventh Circuits) to a presumption against fee awards when the losing party's claims or defenses were not objectively unreasonable (Second Circuit).

A. One camp asks simply whether the prevailing party's claim or defense furthered the interests of the Copyright Act, with no presumptions one way or the other.

This is the approach in the Ninth Circuit, for example, where this Court's *Fogerty* decision originated. After this Court overruled the Ninth Circuit's dual approach to attorneys' fees under § 505 in *Fogerty*, the matter was remanded for consideration of fees under an evenhanded approach. 510 U.S. at 520-21. Freed from the dual approach, the district

court awarded the prevailing defendant his attorneys' fees, and the Ninth Circuit affirmed. *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 555 (9th Cir. 1996).

On appeal, the Ninth Circuit rejected the losing plaintiff's argument that fees should not be awarded because it had no "culpability"—i.e., its claims were not unreasonable or frivolous. "[A]ttorney's fee awards to prevailing defendants are within the district court's discretion if they further the purposes of the Copyright Act and are evenhandedly applied." *Id.* at 558; *accord id.* at 559 (collecting cases about the "importance of promoting the Copyright Act's objectives in considering attorney's fee awards"). This rule, the Ninth Circuit explained, derives from this Court's instruction that factors cannot be considered "if they are not 'faithful to the purposes of the Copyright Act.'" *Id.* at 558 (quoting *Fogerty*, 510 U.S. at 534 n.19). "Faithfulness to the purposes of the Copyright Act," the Ninth Circuit explained, "is, therefore, the pivotal criterion" in assessing a fee request under § 505. *Id.* In *Fantasy v. Fogerty*, because defendant Fogerty's "victory on the merits furthered the purposes of the Copyright Act," the Ninth Circuit held that he was entitled to his fees under the Copyright Act. *Id.* at 555; *accord id.* at 559 ("Fogerty's defense sufficiently furthered the purposes of the Copyright Act to warrant an award of attorney's fees.").

The Eleventh Circuit's analysis also focuses on whether the successful claim or defense of the prevailing party advanced the purposes of the Copyright Act: "The *touchstone* of attorney's fees under § 505 is whether imposition of attorney's fees will *further the interests of the Copyright Act, i.e.*, by encouraging the

raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law are demarcated as clearly as possible.'" *MiTek Holdings Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (emphasis added) (quoting *Fogerty*, 510 U.S. at 527). "[I]n determining whether to award attorney's fees under § 505, the district court should consider ... whether imposition of fees will further the goals of the Copyright Act." *Id.* at 843. In *MiTek*, the Eleventh Circuit vacated and remanded "[b]ecause the district court did not assess whether imposition of attorney's fees would further the goals of the Copyright Act." *Id.*

B. By contrast, the Fifth and Seventh Circuits do not initially rely on a case-by-case analysis when considering a request for fees in a copyright case. Instead, both courts of appeals apply a presumption in favor of a fee award for prevailing parties. "Since *Fogerty* we have held that the prevailing party in copyright litigation is *presumptively entitled* to reimbursement of its attorneys' fees." *Riviera Distribs., Inc. v. Jones*, 517 F.3d 926, 928 (7th Cir. 2008) (emphasis added). Thus, the question in the Seventh Circuit is not whether the prevailing party is entitled to attorneys' fees, but rather: "Is there any reason not to honor the presumption that the prevailing party, plaintiff or defendant, recovers attorneys' fees under § 505?" *Id.* (emphasis omitted).

The Seventh Circuit adopted this rebuttable presumption in favor of fee awards because "an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than sur-

render it because the cost of vindication exceeds the private benefit to the party." *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004). The Seventh Circuit explains that its presumption in favor of fees advances the purposes of the Copyright Act by incentivizing parties who would otherwise "be under pressure to throw in the towel" to continue litigating, *id.*, thereby further clarifying the boundaries of the Copyright Act and providing greater public access to copyrightable works, *see Fogerty*, 510 U.S. at 527

While it does not use the term "presumption," the Fifth Circuit follows the Seventh Circuit in awarding fees under § 505 unless the losing party proves that fees should not be awarded. Under the Fifth Circuit's analysis: "'[A]lthough attorney's fees are awarded in the trial court's discretion in copyright cases, they are the *rule rather than the exception* and should be awarded *routinely*.'" *Hogan Sys., Inc. v. Cybresource Int'l, Inc.*, 158 F.3d 319, 325 (5th Cir. 1998) (emphasis added) (quoting *McGaughey v. Twentieth Century Fox Film Corp.*, 12 F.3d 62, 65 (5th Cir. 1994)).[3]

C. Still other courts of appeals—namely the Third, Fourth, and Sixth Circuits—have forged yet another path that does not employ a presumption or

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[3] The Sixth Circuit agrees that "[t]he grant of fees and costs is the rule rather than the exception and they should be awarded routinely," *Bridgeport Music, Inc. v. WB Music Corp.*, 520 F.3d 588, 592 (6th Cir. 2008) (quotation marks and brackets omitted), though, as explained *infra*, the Sixth Circuit still predominantly applies the four factors mentioned in *Fogerty*.

explicitly consider whether the prevailing party advanced the purposes of the Copyright Act.

Instead, these courts rely on the four "nonexclusive factors" listed in *Fogerty* as factors that courts "may ... use[] to guide" their analysis—"'frivolousness, motivation, objective unreasonableness ...[,] and ... considerations of compensation and deterrence.'" 510 U.S. at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)). The Third Circuit has continued to follow its pre-*Fogerty* analysis, and the Sixth Circuit has similarly adopted this Court's nonexclusive factors as the factors to consider when considering a fee award. *See Thoroughbred Software Int'l, Inc. v. Dice Corp.*, 488 F.3d 352, 361 (6th Cir. 2007) ("This Court uses [the] four non-exclusive [*Fogerty*] factors ...."); *Lieb*, 788 F.2d at 156. Meanwhile, the Fourth Circuit uses three of the four *Fogerty* factors as well as "any other relevant factor presented." *Bond v. Blum*, 317 F.3d 385, 397 (4th Cir. 2003) (quotation marks omitted).

Further complicating matters, the Fifth Circuit does "not require" that its courts consider any of the factors identified in *Fogerty* and, instead, has accepted the district court's use of a 12-factor analysis wholly separate from *Fogerty*. *See Hogan Sys., Inc.*, 158 F.3d at 325 (accepting factors from *Johnson v. GA Highway Exp., Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974)).

D. Despite the disarray in the seven previously discussed courts of appeals, the Second Circuit parts ways with all of them and holds to yet another approach. Rather than awarding fees when the prevailing party has advanced the purposes of the

Copyright Act or adopting a presumption in favor of fee awards or weighing a wide range of factors, the Second Circuit acknowledges the four factors mentioned in *Fogerty* but then, as it did in this case, places "substantial weight" on the reasonableness of the losing party's claim. Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). Instead of considering whether the successful claim or defense has advanced the purposes of the Copyright Act, the Second Circuit holds that "'the imposition of a fee award'" against a party who has advanced an "'objectively reasonable'" claim or defense does "'not promote the purposes of the Copyright Act.'" *Id.* (quoting *Matthew Bender*, 240 F.3d at 122).

By definition, a claim or defense that is "unreasonable" is one that is outside the norm of a usual claim, so, by applying a rule that attorneys' fees are generally not awarded except when the losing party's claim or defense was *un*reasonable, the Second Circuit has created a presumption *against* awarding fees. *See Lava Records LLC v. Amurao*, 354 F. App'x 461, 462-63 (2d Cir. 2009) (declining to adopt Fifth and Seventh Circuit's presumptions). Awarding fees principally when a suit or defense is *unreasonable* makes the award of fees to prevailing parties the exception rather than the rule.

## II. The Decision Below Conflicts With This Court's Established Precedents

Not only is § 505 devoid of any indication that objective reasonableness is a factor to be given "'substantial weight,'" Pet. App. 5a, but affording objective reasonableness such undue weight contravenes this Court's decision in *Fogerty* as well as its recent

decision interpreting the fee provision of the Patent Act.

### A. The Decision Below Is Inconsistent With This Court's Authority Interpreting The Copyright Act

The Copyright Act arises from constitutional imperative "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const., Art. I, § 8, cl. 8. As the constitutional grant makes clear, while "[t]he immediate effect of our copyright law is to secure a fair return for an author's creative labor[,] ... the ultimate aim is, by this incentive, to stimulate artistic creativity *for the general public good*." *Fogerty*, 510 U.S. at 526-27 (emphasis added; additional quotation marks omitted) (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)). "'The primary objective of copyright [law] is not to reward the labor of authors, but "to promote the Progress of Science and useful Arts."'" *Id.* at 527 (brackets omitted) (quoting *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349-50 (1991)).

"[C]opyright law ultimately serves the purpose of enriching the general public through access to creative works." *Id.* at 527. Accordingly, this Court has counseled that "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Id.* "To that end, defendants who seek to advance a variety of meritorious copyright defenses should be encouraged to litigate them to the same extent that plaintiffs are encouraged to litigate meritorious clams of infringement" because "a successful

defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim." *Id.*

Having elucidated the "primary objective" of the Copyright Act and the critical role that "meritorious copyright defenses" can play in advancing the Copyright Act's primary objective, *id.* (quotation marks omitted), *Fogerty* instructed that any factor "may be used to guide courts' discretion [in awarding attorneys' fees under § 505]," including the nonexclusive factors it listed, but only "so long as such factors [1] are faithful to the purposes of the Copyright Act and [2] are applied to prevailing plaintiffs and defendants in an evenhanded manner," *id.* at 534 n.19.

The Second Circuit's approach flouts both of these limitations from *Fogerty*.

***Faithfulness to the purposes of the Copyright Act.*** This Court's rationale for awarding fees to prevailing parties is that their successful claims or defenses can advance the purposes of the Copyright Act by helping to clarify the boundaries of copyright law and thus either incentivize creativity or secure public access to copyrightable works. *Id.* at 527.

This case is exhibit 1 of a case where the meritorious defense of a prevailing defendant clarified the boundaries of copyright law and secured public access to copyrightable works.

First, before this Court's decision in *Kirtsaeng*, this Court was divided 4-4 on whether the "first sale"

doctrine protects the importation and resale of works manufactured and purchased abroad. *See* Pet. App. 35a-36a. Before this Court's decision, no court of appeals had applied the "first sale" doctrine to works manufactured and sold abroad, and it appeared that five justices[4] had concluded that the "first sale" doctrine did not apply to works manufactured and sold abroad. But Kirtsaeng vigorously pursued his defense in the face of those long odds, ultimately persuading this Court that the "first sale" doctrine does indeed apply to works sold abroad. In accepting Kirtsaeng's reading of the relevant statutory provisions, this Court definitively resolved the issue and held that works lawfully manufactured and sold abroad can be imported and resold in the United States without fear of copyright infringement liability, Pet. App. 35a-69a, thereby clarifying the law and "demarcat[ing] as clearly as possible" "the boundaries of copyright law" in this critical area, *see Fogerty*, 510 U.S. at 527.

That is undisputed. The district court found "it is true that this litigation clarified the boundaries of copyright law," Pet. App. 18a, and Wiley conceded the same in the briefing below, Wiley C.A. Ans. Br. 35 ("It is certainly true that the litigation has resulted in a clarification of the boundaries of copyright law."); C.A. 554 ("The parties' respective litigation efforts together contributed to clarification of the boundaries of copyright law." (emphasis omitted)). Indeed, this is the case that proves the rule in *Foger-*

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[4] The five justices were the four that had voted against the defendant's position in *Costco* and the justice who was recused for having filed a brief in *Costco* against the defendant's position.

*ty*: Absent Kirtsaeng pursuing his "first sale" defense all the way through the Supreme Court, the boundaries of copyright law as it relates to the importation and resale of copyrighted goods would be unclear, at best, or, worse, drawn in a way that undermines the widespread dissemination of copyrightable works. *See* Pet. App. 52a-56a (this Court explaining real-world consequences of Wiley's proposed reading).

Second, Kirtsaeng's successful pursuit of his "first sale" defense "enrich[ed] the general public" and "serve[d] the public good" by enhancing the public's access to copyrighted works. *Fogerty*, 510 U.S. at 526-27 Under Wiley's urged reading of the "first sale" doctrine, works manufactured and purchased abroad could not be imported and resold in the United States without the copyright holder's permission. Such a reading would have wrought horrendous "practical copyright-related harms ... threaten[ing] ordinary scholarly, artistic, commercial, and consumer activities." Pet. App. 38a; *accord* Pet. App. 52a-56a.

For example, computers and other electronics manufactured abroad and containing copyrighted software could not be imported and resold in the United States without the permission of the copyright holder. Equipment containing copyrighted instructions and user manuals also could not be imported and resold. Libraries and used bookstores looking to import foreign-printed books as well as clothing retailers trying to import foreign-manufactured clothing with copyrighted designs would be unable to do so without the copyright-holder's permission. Even museums planning to import priceless works of foreign art would be unable to

do so without the prior approval of the copyright holder, the identity of whom may be impossible to determine.

As the foregoing demonstrates, "reliance upon the 'first sale' doctrine is deeply embedded in the practices of ... booksellers, libraries, museums, and retailers[] who have long relied upon its protection" to save them from claims of copyright infringement for importing and reselling works manufactured abroad. Pet. App. 56a. Indeed, this Court tallied that "many, if not all, of" the "over $2.3 trillion worth of foreign goods [that] [a]re imported" and sold in the United States every year would be subject "to the disruptive impact of the threat of [copyright] infringement suits" under Wiley's proposed reading of the "first sale" doctrine. Pet. App. 52a-55a.

And, yet, the Second Circuit's emphasis on objective reasonableness has nothing to do with encouraging meritorious claims and defenses to clarify copyright law and advance the Copyright Act's purpose. The Second Circuit affords "'substantial weight'" to the objective-reasonableness factor, Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122), because, as the Second Circuit sees it: "'[T]he imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally *not* promote the purposes of the Copyright Act,'" Pet. App. 4a (emphasis added) (quoting *Matthew Bender*, 240 F.3d at 122). Under that approach, losing parties whose losing arguments were objectively reasonable will not be sanctioned with an adverse fee award whereas losing parties whose losing arguments were objectively *un*reasonable will be. Such an approach is not about encouraging meritori-

ous claims and defenses but instead about *discouraging* unreasonable claims and defenses by *punishing* the party that brought them through an adverse fee award.

This sort of punishment-oriented approach to fee awards under the Copyright Act was part of what this Court rejected in *Fogerty*. Prior to *Fogerty*, an award of fees to a prevailing defendant would "represent[] a penalty imposed upon the plaintiff for institution of a ... unreasonable suit." 510 U.S. at 532 n.18 (quoting *Breffort*, 271 F. Supp. at 627). *Fogerty* rejected it as "too narrow a view of the purposes of the Copyright Act because it fails to adequately consider the important role played by copyright defendants." *Id.* Specifically, such an approach fails to take into account that "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim." *Id.* at 527. Defenses codified in the Copyright Act itself, such as the "first sale" doctrine, 17 U.S.C. § 109(a), enhance dissemination of expression, thereby promoting the purposes of the Copyright Act and thus should be encouraged. This is especially so when both sides have raised colorable arguments, rather than when one side's arguments are objectively unreasonable. *See Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 75 (1st Cir. 1998) ("[A] copyright defendant's success on the merits in a case of first impression may militate in favor of a fee award" because "[w]hen close infringement cases are litigated, copyright law benefits from the resulting clarification of the doctrine's boundaries.").

The decision below asserted, without explanation, that the Second Circuit's "'emphasis on objective reasonableness was firmly rooted in the Supreme Court's admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" Pet. App. 4a (quoting *Matthew Bender*, 240 F.3d at 122). But the panels, both below and in *Matthew Bender*, do not explain why objective reasonableness is rooted in faithfulness to the Copyright Act's purposes—nor is an explanation apparent. *Matthew Bender* observes that the "principle purpose" of the Copyright Act is "encourag[ing] the origination of creative works." 240 F.3d at 122 (quotation marks omitted). And even if this Court had not already rejected such a narrow reading of the Copyright Act's purpose, *supra* 17-18; *see also Golan v. Holder*, 132 S. Ct. 873, 888-89 (2012), it would not explain why objective reasonableness is relevant to—much less firmly rooted in—faithfulness to the Copyright Act's purpose.

Accordingly, it is no answer to say, as the courts below did, that the Second Circuit's jurisprudence "reserve[s] a space for district courts to decide that other factors may outweigh the objective unreasonableness factor." Pet. App. 4a (quoting Pet. App. 13a). The court of appeals here held that any other factors supporting an award of fees for Kirtsaeng, such as advancing the Copyright Act's purposes, "did not outweigh the 'substantial weight' afforded to ... objective reasonableness." Pet. App. 5a. Determining whether or not advancing the purposes of the Copyright Act "outweigh[s]" the objective reasonableness of the losing party, *id.*, does not make "faithful[ness] to the purposes of the Copyright Act" the principal

consideration in determining whether to award fees. *Fogerty*, 510 U.S. at 534 n.19. Instead, objective reasonableness becomes the primary consideration, one that can only be overcome—or "outweigh[ed]"—with other particularly strong showings. Pet. App. 5a.

To be sure, there is nothing wrong with discouraging parties from bringing objectively unreasonable claims and defenses. Rule 11 of the Federal Rules of Civil Procedure performs that function admirably and thus makes § 505 unnecessary under the Second Circuit's standard. In any event, the "policies served by the Copyright Act are more complex[] [and] more measured" than simply punishing parties for bringing unreasonable claims and defenses. *See Fogerty*, 510 U.S. at 526.

***Requiring evenhanded consideration of fee requests.*** In *Fogerty*, this Court insisted that lower courts must consider fee requests in "an evenhanded manner." 510 U.S. at 534 n.19. But, again, the Second Circuit's approach contravenes this Court's instruction.

The Second Circuit emphasizes objective reasonableness because "'the imposition of a fee award against a *copyright holder* with an objectively reasonable position will generally not promote the purposes of the Copyright Act.'" Pet. App. 4a (emphasis added) (quoting *Matthew Bender*, 240 F.3d at 122). But this rationale is, itself, not evenhanded. It speaks only to the objectively reasonable claims of a copyright holder, not of those by an accused defendant. Instead, the Second Circuit's approach is a return to its own past practice of favoring fee awards for prevailing plaintiffs and only awarding fees

against prevailing plaintiffs when it is a "'penalty imposed'" against them for instituting a "'baseless, frivolous, or unreasonable suit.'" *Fogerty*, 510 U.S. at 532 n.18 (quoting *Breffort*, 271 F Supp. at 627); *id.* at 521 n.8 (identifying Second Circuit as one of the courts of appeals that applied a disparate "'dual' standard" to prevailing plaintiffs and prevailing defendants).

Though the plain terms of a rule that heavily weights "objective reasonableness" need not evince a dual approach to fee awards, the practical effect is that prevailing plaintiffs much more easily obtain fee awards than prevailing defendants. Our research reveals that the Second Circuit has never approved a fee award to a prevailing defendant under the Copyright Act unless the plaintiff's suit was objectively unreasonable. By contrast, however, the Second Circuit has approved a fee award to a prevailing plaintiff even though the defendant's defenses were "non-frivolous[] [and] objectively reasonable." *L.A. Printex Indus., Inc. v. Pretty Girl of Cal., Inc.*, 543 F. App'x 106, 107 (2d Cir. 2013) (affirming fee award for prevailing plaintiff). The difference, the Second Circuit has reasoned, is that fee awards for prevailing plaintiffs against losing defendants often are "in line with the statutory goal of deterrence [of copyright violations]." *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 289 (2d Cir. 1999) (affirming fee award for a prevailing plaintiff). Because awards for prevailing defendants against losing plaintiffs do not further the goal of *deterring copyright violations*, under the Second Circuit's approach, prevailing defendants are much less likely to obtain their attorneys' fees. That is not the evenhanded approach this Court mandated in *Fogerty*.

### B. The Decision Below Equates The Standard In Copyright Cases With The Much Higher Standard In Patent Cases

This Court recently addressed the standard for attorneys' fees under the very different fee provision of the Patent Act. Under the Patent Act, attorneys' fees are permitted only "in exceptional cases," 35 U.S.C. § 285. *See Fogerty*, 510 U.S. at 525 n.12 (contrasting the Copyright Act and Patent Act fee provisions).

In considering when a case is "'exceptional'" under the Patent Act, this Court recently held that fees are warranted when the case "stands out from others with respect to the substantive strength [or weakness] of a party's litigati[on] position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). "[A] case presenting ... exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award." *Id.* at 1757. Accordingly, under the Patent Act, the case may be sufficiently "exceptional" to "warrant a fee award" when the losing claim or defense was clearly meritless based on "the governing law and ... facts of the case." *Id.* at 1756-57 That is nearly the precise standard that courts in the Second Circuit use to determine whether a copyright claim is objectively unreasonable, i.e., "clearly without merit or otherwise patently devoid of legal or factual basis." *Silberstein v. Fox Entm't Grp., Inc.*, 536 F Supp. 2d 440, 444 (S.D.N.Y. 2008).

By affording substantial weight to the objective-reasonableness consideration, the Second Circuit's rule makes it so that fees are awarded in a copyright case under the Copyright Act under the same circumstances that fees would be available in a patent case under the Patent Act—which is to say, when the case is "exceptional." That cannot be correct. There is no requirement that a case be exceptional for fees to be awarded under the Copyright Act. *Compare* 35 U.S.C. § 285 (Patent Act) (permitting fees only in "exceptional cases") *with* 17 U.S.C. § 505 (Copyright Act) (providing simply that a district court "may" award fees to the prevailing party). As this Court explained in *Fogerty*, the Patent Act contains a "proviso that fees are only to be awarded in 'exceptional cases'" that is absent in the Copyright Act. 510 U.S. at 525 n.12; *accord Historical Research v. Cabral*, 80 F.3d 377, 378 (9th Cir. 1996) (quotation mark omitted) (observing that there is no requirement for the case to be "exceptional" under the Copyright Act).

By equalizing the Patent Act and the Copyright Act, the Second Circuit's rule makes it so the Patent Act's "exceptional case" requirement either has no effect *or* fee awards under the Copyright Act turn *sub silencio* on the exceptional unreasonableness of the losing party. Neither can be true. Congress's decision not to limit attorneys' fee awards in copyright cases to only exceptional cases must be given meaning. *Russello v. United States*, 464 U.S. 16, 23 (1983); *see also Moskal v. United States*, 498 U.S. 103, 109-10 (1990) (courts should "give effect, if possible, to every clause and word of a statute" (internal quotation marks omitted)).

## III. This Case Is The Ideal Vehicle For Resolving An Issue Of National Importance

A. The proper interpretation of a federal statute, particularly one that has explicit origins in the Constitution, is always an issue of significant, national importance. That is just as true today as it was 20 years ago when this Court granted cert to consider the meaning of § 505 in *Fogerty*. It is also just as true today as it was in *Octane Fitness*, just two terms ago.

If anything, the importance of proper fee determinations has only increased as litigation costs have continued to rise. This Court recognized more than two decades ago in *Fogerty* that it is important that parties "be encouraged to litigate" their "meritorious copyright defenses" and "meritorious claims of infringement." 510 U.S. at 527. That is because "an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion rather than surrender it because the cost of vindication exceeds the private benefit to the party." *Assessment Techs.*, 361 F.3d at 437.

Though the copyright laws, and thus the public good, benefit from meritorious litigation that clarifies the boundaries of the Copyright Act, *Fogerty*, 510 U.S. at 527, for parties who stand to gain very little monetarily for prevailing—i.e., plaintiffs seeking small awards and defendants who "receive[] ... no [compensatory] award [for prevailing]"—the economic realities of the cost of litigating such a case may "force[]" that party "into a nuisance settlement or [be] deterred altogether from exercising [their]

rights." *Assessment Techs., Inc.*, 361 F.3d at 437 This is especially true for "[a] defendant who [when he or she] prevails in copyright litigation vindicates the public's interest in the use of intellectual property, but without an award of fees the prevailing defendant has only losses to show for the litigation." *FM Indus., Inc. v. Citicorp Credit Servs., Inc.*, 614 F.3d 335, 339-40 (7th Cir. 2010). In those circumstances, "an award of attorneys' fees may be necessary to enable the party possessing the meritorious claim or defense to press it to a successful conclusion." *Assessment Techs.*, 361 F.3d at 437

Ensuring that the incentives to continue to pursue meritorious claims and defenses are calibrated properly is particularly important in David vs. Goliath cases like this one. When Wiley brought this suit, Kirtsaeng was a graduate student on a Thai government scholarship that required him to return to Thailand as a professor. Pet. App. 34a. By contrast, Wiley (NYSE: JWA) is a global publishing company with 4900 employees and annual revenue of more than $1.82 billion. John Wiley & Sons, Inc., Annual Report (Form 10-K), at 4, 13 (Apr. 30, 2015), *available at http://tinyurl.com/o8ecd7r*. Nevertheless, Wiley brought its substantial resources to bear in filing not just this lawsuit but a host of lawsuits against impecunious individual defendants and then engaging in scorched-earth litigation tactics to force those individual defendants to give in and settle.[5]

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[5] *See, e.g.*, Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-44*, No. 12-CV-1568, 2012 WL 870299 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Ng*, No. 11-Civ-7627, 2012 WL 1611326 (S.D.N.Y. 2012); Compl., *John Wiley & Sons,*

Because parties with lesser means are more likely to settle or abandon defenses in order to avoid ever-accumulating fees and costs, *Assessment Techs.*, 361 F.3d at 437, the financial disparity between the parties is important. An impecunious defendant is far more likely to be forced to settle or abandon his rights because he cannot afford the heavy cost of litigation. If those economic "pressure[s]" force the defendant to "throw in the towel" and give up meritorious defenses, *id.*, copyright law and the public suffer from the missed opportunity to clarify copyright law and expand public access to original, scholarly works. *See Fogerty*, 510 U.S. at 527.

B. It is particularly important for this Court to take this issue to prevent putative plaintiffs from engaging in blatant forum shopping. As discussed above (at 25), the Second Circuit's approach to fee awards under § 505 is decidedly pro-plaintiff since prevailing plaintiffs obtain their fees in the Second Circuit while prevailing defendants rarely—if ever—do. Accordingly, plaintiffs, such as Wiley, who could sue in any number of venues, are likely to shop for a forum, such as the Second Circuit, where it is unlikely that they would be compelled to pay attorneys' fees if they lose. By contrast, such a plaintiff would

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*Inc., v. John Doe Nos. 1-21*, No. 12-CV-4730, 2012 WL 2566389 (S.D.N.Y. 2012); Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-35*, No. 12-CV-2968, 2012 WL 1389735 (S.D.N.Y. 2012); Compl., *John Wiley & Sons, Inc., v. John Doe Nos. 1-30*, No. 12-CV-3782, 2012 WL 1834871 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Williams*, No. 12-Civ-0079, 2012 WL 3019463 (S.D.N.Y. 2012); Am. Compl., *John Wiley & Sons, Inc., v. Swancoat*, No. 08-CV-05672, 2009 WL 956206 (S.D.N.Y. 2009); Am. Compl., *John Wiley & Sons, Inc., v. Shumacher*, No. 09-CV-02108, 2009 WL 3219590 (S.D.N.Y. 2009).

likely avoid the Fifth or Seventh Circuits, where they presumptively would have to pay the prevailing defendant's fees. By granting certiorari and resolving the split in the courts of appeals, this Court can prevent further forum shopping in copyright cases.

C. This case is an ideal vehicle to examine the standard for awarding fees under the Copyright Act. Not only is this Court already familiar with the case, but the issues are crisply presented. As the district court already found as fact, it is undisputed that this litigation, including Kirtsaeng's pursuit of his meritorious defense under the "first sale" doctrine, "clarified the boundaries of copyright law," and therefore advanced the purposes of the Copyright Act. Pet. App. 18a, *accord* Wiley C.A. Ans. Br. 35; C.A. 554 (Wiley district court brief). That much is obvious from this Court's decision, which explained in detail how Kirtsaeng's reading of the "first sale" doctrine ensured greater public access to copyrightable goods manufactured abroad. Pet. App. 52a-59a. Kirtsaeng also overcame tremendous odds against a much larger and richer opponent to obtain an absolute victory.

At the same time, it is undisputed that Wiley's copyright claim was not frivolous or objectively unreasonable. The combination of undisputed issues here frees this Court to consider what the proper standard should be for an award of attorneys' fees under the Copyright Act without getting bogged down in the very different scenario where the losing party's claim was frivolous or objectively unreasonable.

The split amongst the court of appeals is also cleanly presented. Contrary to the analysis that would have been performed in other courts of appeals, the lower courts here placed "substantial weight" on the objective reasonableness prong and refused to award fees because other factors did not "'outweigh'" what the Second Circuit considers to be the weightiest of all factors. Pet. App. 4a (quoting Pet. App. 13a). Because Kirtsaeng's fee petition would have been decided differently had objective reasonableness not been the factor that must be "'outweigh[ed]'" to obtain fees, the fractured approaches in the courts of appeals are well-presented here.

Finally, it is irrelevant that the Second Circuit chose to make its decision here unpublished. The panel applied the Second Circuit's settled (and published) law in the form of *Matthew Bender*. Pet. App. 4a-5a (citing, quoting, and relying on *Matthew Bender*, 240 F.3d at 122). Accordingly, this case provides an appropriate vehicle to consider the disparate approaches of the courts of appeals to fee awards under the Copyright Act. And, in any event, this Court routinely takes cases where the decision of the court of appeals was unpublished—including eight times just last term alone. *See, e.g.*, *Johnson v. United States*, 135 S. Ct. 2551 (2015); *Mata v. Lynch*, 135 S. Ct. 2150 (2015); *Bank of Am. v. Caulkett*, 135 S. Ct. 1995 (2015); *Henderson v. United States*, 135 S. Ct. 1780 (2015); *United States v. June*, 135 S. Ct. 1625 (2015); *Armstrong v. Exceptional Child Center, Inc.*, 135 S. Ct. 1378 (2015); *Gelboim v. Bank of Am. Corp.*, 135 S. Ct. 897 (2015); *Jennings v. Stephens*, 135 S. Ct. 793 (2015).

In short, this case presents an ideal vehicle to overturn the Second Circuit's approach to fee awards under the Copyright Act, which is flatly inconsistent with this Court's precedents, and to resolve a four-way circuit split that has hopelessly divided the courts of appeals.

## CONCLUSION

For the foregoing reasons, this Court should grant the petition for a writ of certiorari.

Respectfully submitted,

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Date: September 23, 2015

# APPENDIX A

14-344
*John Wiley & Sons, Inc. v. Kirtsaeng*

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

## SUMMARY ORDER

**Rulings by summary order do not have precedential effect. Citation to a summary order filed on or after January 1, 2007, is permitted and is governed by Federal Rule of Appellate Procedure 32.1 and this court's Local Rule 32.1.1. When citing a summary order in a document filed with this court, a party must cite either the Federal Appendix or an electronic database (with the notation "summary order"). A party citing a summary order must serve a copy of it on any party not represented by counsel.**

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the Thurgood Marshall United States Courthouse, at 40 Foley Square, in the City of New York, on the 27th day of May, two thousand fifteen.

Present: ROBERT A. KATZMANN,
*Chief Judge,*
JOHN M. WALKER, JR.,
DENNY CHIN,
*Circuit Judges.*

JOHN WILEY & SONS, INC.,

*Plaintiff-Appellee,*

- v - No. 14-344-cv

SUPAP KIRTSAENG, DBA BLUECHRISTINE99,

*Defendant-Appellant,*

JOHN DOE, 1-5,

*Defendants.*

For Plaintiff-Appellee: PAUL M. SMITH, Jenner & Block LLP, Washington, D.C.

Matthew J. Oppenheim, Oppenheim & Zebrak, LLP, Washington, D.C.

For Defendant-Appellant: ANDREW D. SILVERMAN (E. Joshua Rosenkranz, Annette L. Hurst, Lisa T. Simpson, *on the brief*), Orrick, Herrington & Sutcliffe LLP, New York, New York

Appeal from the United States District Court for the Southern District of New York (Pogue, *J.*[1]).

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[1] Chief Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

**ON CONSIDERATION WHEREOF, IT IS HEREBY ORDERED, ADJUDGED,** and **DECREED** that the order of the district court is hereby **AFFIRMED**. The defendant-appellant appeals from the district court's December 20, 2013, order denying his motion for attorneys' fees under § 505 of the Copyright Act. We assume the parties' familiarity with the relevant facts, the procedural history of the case, and the issues presented for review.

The Copyright Act of 1976, 17 U.S.C. § 505, provides that a district court may "in its discretion" award attorneys' fees to a prevailing party in a copyright action. The district court is not bound by any "precise rule or formula" when evaluating whether an award of fees is warranted. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994) (internal quotation marks omitted). Instead, "equitable discretion should be exercised in light of the [relevant] considerations," which include "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 534 & n.19 (internal quotation marks omitted). "The standard of review of an award of attorney's fees is highly deferential to the district court." *Alderman v. Pan Am World Airways*, 169 F.3d 99, 102 (2d Cir. 1999) (internal quotation marks omitted). "Attorney's fees must be reasonable in terms of the circumstances of the particular case, and the district court's determination will be reversed on appeal only for an abuse of discretion." *Id.*

Here, in its thorough opinion, the district court properly placed "substantial weight" on the reasonableness of John Wiley & Sons' position in this case. *Matthew Bender & Co. v. W. Pub'g Co.*, 240 F.3d 116, 122 (2d Cir. 2001). John Wiley & Sons prevailed both in the district court and in its initial appeal, only to ultimately lose in a split decision by the United States Supreme Court. Accordingly, the district court correctly found—and the appellant does not seriously contest—that John Wiley & Sons pursued an objectively reasonable litigation position. And as we explained, "the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally not promote the purposes of the Copyright Act." *Id.* Although the appellant seeks to limit *Matthew Bender* as applying only to those cases where the prevailing defendant did not advance the purposes of the Copyright Act, *Matthew Bender* specifically explained that its "emphasis on objective reasonableness [was] firmly rooted in [the Supreme Court's] admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" *Id.* (quoting *Fogerty*, 510 U.S. at 534 n.19).

Moreover, there is no merit to the appellant's contention that the district court "fixated" on John Wiley & Sons' objective reasonableness at the expense of other relevant factors. Appellant's Br. at 36. To the contrary, the district court expressly recognized that *Matthew Bender* "reserved a space for district courts to decide that other factors may ... outweigh the objective unreasonableness factor." *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08-CV-7834

(DCP), 2013 WL 6722887, at *3 (S.D.N.Y. Dec. 20, 2013) (citing *Matthew Bender*, 240 F.3d at 122). And while we may not agree in every instance with the district court's evaluation of these other factors,[2] we see no abuse of discretion in the district court's overall conclusion that, in the circumstances of this case, these factors did not outweigh the "substantial weight" afforded to John Wiley & Sons' objective reasonableness.

We have considered the appellant's remaining arguments, and find them to be without merit. Accordingly. for the foregoing reasons, the judgment of the district court is **AFFIRMED**.

FOR THE COURT:
CATHERINE O'HAGAN
WOLFE, CLERK

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[2] In particular, we respectfully question the conclusion that considerations of compensation did not favor a fee award because the appellant was represented pro bono at the Supreme Court. Preventing litigants who are represented by pro bono counsel from receiving fees may decrease the future availability of pro bono counsel to impecunious litigants, who may, in the absence of pro bono representation, abandon otherwise meritorious claims and defenses. This runs counter to *Fogerty*'s instruction that courts should exercise their discretion under § 505 so as to encourage the litigation of meritorious claims and defenses, because "it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible." *Fogerty*, 510 U.S. at 527. However, as explained herein, while we may respectfully part ways with this particular portion of the district court's thoughtful analysis, we perceive no abuse of discretion in the overall conclusion that fees are not warranted in this case.

## APPENDIX B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JOHN WILEY & SONS, INC.,

Plaintiff,

v. Court No. 08-cv-07834 (DCP) [1]

SUPAP KIRTSAENG,

Defendant.

OPINION AND ORDER

[denying defendant's motion for an award of attorneys' fees and reimbursement of litigation expenses]

Dated: December 20, 2013

Matthew J. Oppenheim, Scott A. Zebrak and Kerry M. Mustico, Oppenheim + Zebrak, LLP, of Washington, DC, for the Plaintiff.

Sam Israel and Eleonora Zlotnikova, of New York, NY, for the Defendant. Of counsel on the brief was E. Joshua Rosenkranz, Orrick, Herrington & Sutcliffe LLP, of New York, NY.

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[1] Chief Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

**Pogue, Judge:** Plaintiff, John Wiley & Sons, Inc. ("Wiley"), a domestic publisher of academic textbooks, brought this copyright action to enforce its exclusive rights to import and distribute certain copyrighted work, printed and sold abroad by its wholly owned foreign subsidiary. Defendant, Supap Kirtsaeng ("Kirtsaeng"), an importer and reseller of Wiley's foreign edition textbooks, successfully defended the action by establishing that his U.S. sales of books "lawfully made under" the Copyright Act and legitimately acquired abroad were permitted by the Copyright Act's "first sale" provision. *See* 17 U.S.C. § 109(a) (2006). As the prevailing party, Defendant now seeks, by motion, an award of attorneys' fees and reimbursement of litigation expenses,[2] pur-

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[2] *See* Notice of Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 93; Decl. of Sam P. Israel in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 94 ("Israel Decl."); Decl. of E. Joshua Rosenkranz in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 95; Mem. of L. in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 96 ("Def.'s Br."); Pl.'s Opp'n to Def.'s Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 107 ("Pl.'s Resp."); Decl. of Maria Danzilo in Supp. of Pl.'s Opp'n to Def.'s Mot. for Attorney Fees, ECF No. 108; Decl. of Kerry M. Mustico in Supp. of Pl.'s Opp'n to Def.'s Mor. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 109 ("Mustico Decl."); Decl. of Susan Tiedemann Seutter in Supp. of Pl.'s Opp'n to Def.'s Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 110; Reply Mem. of L. in Supp. of Def. Supap Kirtsaeng's Mot. for an Award of Attorneys' Fees & Reimbursement of Litig. Expenses, ECF No. 115 ("Def.'s Reply").

suant to 17 U.S.C. § 505 ("Section 505").[3] Because Plaintiff's claim was not unreasonable or frivolous, and because no other equitable consideration weighs in favor of Defendant's request, as explained below, Defendant's motion is denied.

## BACKGROUND

This matter returns to court on remand from the Supreme Court of the United States and the Court of Appeals for the Second Circuit.[4] In earlier proceedings, this Court held that Kirtsaeng could not invoke the "first sale" defense because this defense was not applicable to the resale of foreign-manufactured goods.[5] In the absence of the first sale

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[3] ("In any civil action under this title [i.e., the Copyright Act], the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.").

[4] *See Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1371 (2013) ("*Wiley III*") (reversing *John Wiley & Sons, Inc. v. Kirtsaeng*, 654 F.3d 210, 224 (2d Cir. 2011) ("*Wiley II*") (affirming *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834 (DCP), 2009 WL 3364037 (S.D.N.Y. Oct. 19, 2009) ("*Wiley I*")) and remanding for the further proceedings); *John Wiley & Sons, Inc. v. Kirtsaeng*, 713 F.3d 1142, 1142-43 (2d Cir. 2013) ("*Wiley IV*") (per curiam) (holding that, in light of the Supreme Court's holding in *Wiley III*, the Court of Appeals had "nothing left to decide," and remanding "for such further proceedings as may be appropriate prior to entry of final judgment"). Familiarity with the facts and procedural history of this case is presumed.

[5] *See Wiley I*, 2009 WL 3364037 at *3-10.

defense, at trial, a jury found Kirtsaeng liable for copyright infringement. On appeal, a divided panel of the Court of Appeals affirmed,[6] but a majority of the Supreme Court reversed, holding that the first sale defense is not geographically limited, and is applicable "where, as here, copies are manufactured abroad with the permission of the copyright owner."[7] Because Kirtsaeng's liability "was premised on the inapplicability of the first sale doctrine to copyrighted works manufactured abroad, even when (as here) the copyrighted works were manufactured and initially sold in accordance with the copyright laws of the United States," the judgment against the Defendant was reversed pursuant to the Supreme Court's holding that the first sale defense *does* apply to the works at issue.[8]

In this circumstance, Section 505 permits the court to "award a reasonable attorney's fee to the prevailing party." But Section 505 is not mandatory. "[A]ttorney's fees are to be awarded to prevailing parties only as a matter of the court's discretion." *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). Moreover, "[t]here is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised." *Id.* (internal quotation marks, citation, and footnote omitted). "The touchstone of attorney's fees under § 505 is whether imposition of attorney's fees will further the interests of the Copy-

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[6] *See Wiley II*, 654 F.3d at 216-23.

[7] *Wiley III*, 133 S. Ct. at 1358.

[8] *Wiley IV*, 713 F.3d at 1143 (footnote omitted).

right Act, i.e., by encouraging the raising of objectively reasonable claims and defenses, which may serve not only to deter infringement but also to ensure 'that the boundaries of copyright law [are] demarcated as clearly as possible' in order to maximize the public exposure to valuable works." *Mitek Holdings, Inc. v. Arce Eng'g Co.*, 198 F.3d 840, 842-43 (11th Cir. 1999) (quoting *Fogerty*, 510 U.S. at 526-27).

In *Fogerty*, the Supreme Court agreed with the Court of Appeals for the Third Circuit that factors such as "'[1] frivolousness, [2] motivation, [3] objective unreasonableness (both in the factual and in the legal components of the case) and [4] the need in particular circumstances to advance considerations of compensation and deterrence'...may be used to guide courts' discretion [in determining whether to award attorney's fees under Section 505], so long as such factors are faithful to the purposes of the Copyright Act and are applied to prevailing plaintiffs and defendants in an evenhanded manner." *Fogerty*, 510 U.S. at 534 n.19 (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)).

Subsequent to *Fogerty*, the Court of Appeals for this Circuit has emphasized in particular the importance of the objective unreasonableness factor in guiding the court's discretion as to whether to award attorney's fees under Section 505. *Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 121-22 (2d Cir. 2001).[9] As the Court of Appeals explained,

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[9] (noting also that, subsequent to *Fogerty*, several other circuits, as well as the district courts in the Second Circuit, "have accorded the objective reasonableness factor substantial weight

"[t]his emphasis on objective reasonableness is firmly rooted in *Fogerty*'s admonition that any factor a court considers in deciding whether to award attorneys' fees must be 'faithful to the purposes of the Copyright Act.'" *Id.* at 122 (quoting *Fogerty*, 510 U.S. at 534 n.19). Because the "principle purpose of the [Copyright Act] is to encourage the origination of creative works by attaching enforceable property rights to them[,]...the imposition of a fee award against a copyright holder with an objectively reasonable litigation position will generally *not* promote the purposes of the Copyright Act." *Id.* (emphasis

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in determinations whether to award attorneys' fees") (citing *Lotus Dev. Corp. v. Borland Int'l, Inc.*, 140 F.3d 70, 74 (1st Cir. 1998) (affirming denial of fees because copyright holder's "claims were neither frivolous nor objectively unreasonable"); *Harris Custom Builders Inc. v. Hoffmeyer*, 140 F.3d 728, 730-31 (7th Cir. 1998) (vacating award of fees because, *inter alia*, losing party's claims were objectively reasonable); *Budget Cinema, Inc. v. Watertower Assocs.*, 81 F.3d 729, 733 (7th Cir. 1996) (holding that "the district court abused its discretion by failing to award attorney's fees based on the objective unreasonableness of [plaintiff's] complaint"); *Maljack Prods., Inc. v. GoodTimes Home Video Corp.*, 81 F.3d 881, 890 (9th Cir. 1996) (awarding fees because, *inter alia*, plaintiff's claims were "factually unreasonable"); *Diamond Star Bldg. Corp. v. Freed*, 30 F.3d 503, 506 (4th Cir. 1994) (affirming award of fees because, *inter alia*, "the objective reasonableness factor strongly weigh[ed] in favor of awarding attorney's fees and costs"); *EMI Catalogue P'ship v. CBS/Fox Co.*, No. 86 Civ. 1149 (PKL), 1996 WL 280813, at *2 (S.D.N.Y. May 24, 1996) (holding that copyright owner's claim was "not so objectively unreasonable as to justify an award of attorney's fees"); *Williams v. Crichton*, 891 F. Supp. 120, 122 (S.D.N.Y. 1994) (awarding fees solely because losing party's claims were objectively unreasonable); *Screenlife Establishment v. Tower Video, Inc.*, 868 F. Supp. 47, 52 (S.D.N.Y. 1994) (same)).

added, internal quotation marks and citations omitted). Moreover, "a court should not award attorneys' fees where the case is novel or close because such a litigation clarifies the boundaries of copyright law" and neither prospective plaintiffs nor prospective defendants should be discouraged from litigating in such circumstances, regardless of which party ultimately prevails. *Canal+ Image UK Ltd. v. Lutvak*, 792 F Supp. 2d 675, 683 (S.D.N.Y. 2011) (internal quotation marks and citation omitted).

## ANALYSIS

Here, neither the factual allegations nor the legal theory on which Wiley's claim was based were objectively unreasonable. Wiley's claim—which persuaded this Court, the Court of Appeals, and three Justices of the Supreme Court[10]—represented the legitimate attempt of a copyright holder to enforce its rights against the unauthorized importation of low-priced, foreign-made copies of its copyrighted works.[11] Nor does Kirtsaeng provide any argument to suggest that Wiley's claim in this case should be deemed to have been objectively unreasonable. *See* Def.'s Br. at 20-25 (addressing the objective unreasonableness factor by downplaying its importance,

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[10] *See Wiley I*, 2009 WL 3364037 at *3-10, *aff'd*, *Wiley II*, 654 F.3d at 216-23; *Wiley III*, 133 S. Ct. at 1373-91 (J. Ginsburg, J. Kennedy, and J. Scalia dissenting).

[11] *See Wiley III*, 133 S. Ct. at 1374 (J. Ginsburg, J. Kennedy, and J. Scalia dissenting) ("The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U.S. law.").

without advancing an argument to support the conclusion that Wiley's claim was in fact objectively unreasonable); Def.'s Reply at 9-11 (same).[12]

And while it is true (as Kirtsaeng emphasizes, *see* Def.'s Br. at 20) that the Court of Appeals' *Matthew Bender* decision reserved a space for district courts to decide that other factors may, in some circumstances, outweigh the objective unreasonableness factor and lead the court to conclude that equity supports a fee award notwithstanding the objective reasonableness of the non-prevailing party, *see Matthew Bender*, 240 F.3d at 122 ("In an appropriate case, the

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[12] Kirtsaeng suggests that, contrary to this Circuit's "emphasis on objective unreasonableness" when applying Section 505, *Matthew Bender*, 240 F.3d at 122, this factor is not only unimportant but should be eschewed from consideration altogether. Def.'s Reply at 9-11. But this argument appears to be grounded in a confusion of the concept of objective unreasonableness with that of a plaintiff's culpability for bad faith or frivolousness. *See id.* (addressing the objective unreasonableness factor by discussing the role of plaintiffs' culpability for bad faith or frivolousness). The objective unreasonableness of a losing copyright claim or defense is conceptually distinct from a party's bad faith or frivolity, *see, e.g.*, *Vargas v. Transeau*, No. 04 Civ. 9772 (WHP), 2008 WL 3164586, at *2 (S.D.N.Y. Aug. 6, 2008) ("The Court need not make a finding of frivolousness or bad faith to award a fee; rather, a consistent lack of evidentiary support for the claim typically will render it objectively unreasonable.") (internal quotation marks and citations omitted), and is a factor to which the Court of Appeals for this Circuit has consistently accorded "substantial weight" in making determinations under Section 505. *See supra* note 9. In any event, the objective unreasonableness of a claim or defense, bad faith, and frivolity are all considerations that were expressly approved by the Supreme Court as relevant to determinations under Section 505. *Fogerty*, 510 U.S. at 534 n.19.

presence of other factors might justify an award of fees despite a finding that the nonprevailing party's position was objectively reasonable.") (quoting *Matthews v. Freedman*, 157 F.3d 25, 29 (1st Cir. 1998) ("Depending on other circumstances, a district court could conclude that the losing party should pay even if all of the arguments it made were reasonable.")), this is not such a case.

The remaining *Fogarty* factors, other than the reasonableness of the non-prevailing party's claim, are (1) frivolousness, (2) motivation, and (3) the need to advance considerations of compensation and deterrence. *Fogerty*, 510 U.S. at 534 n.19. Here it is clear, first, that Wiley's action was not frivolous. A complaint is frivolous "where it lacks an arguable basis either in law or in fact." *Neitzke v. Williams*, 490 U.S. 319, 325 (1989). For the same reasons that Wiley's claim cannot be said to have been objectively unreasonable, it was clearly not frivolous. *See, e.g.*, *Wiley III*, 133 S. Ct. at 1357 (acknowledging that the Second Circuit, the Ninth Circuit, and the Solicitor General (as *amicus*) all agreed with Wiley's reading of the relevant ambiguous statutory language). Thus the frivolousness factor does not weigh against the fact that Wiley's litigating position was objectively reasonable.

Second, Wiley's motivation was not inappropriate. *See, e.g.*, *Luken v. Int'l Yacht Council, Ltd.*, 581 F. Supp. 2d 1226, 1245 (S.D. Fla. 2008) ("It goes without saying that protection of one's copyright constitutes a permissible motivation in filing a copyright infringement case against one whom the copyright holder believes in good faith to have infringed the

copyright."); *see also Eldred v. Ashcroft*, 537 U.S. 186, 212 n.18 (2003) ("[C]opyright law *celebrates* the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge.") (emphasis in the original, internal quotation marks and citation omitted). Moreover, as Wiley explains, *see* Pl.'s Resp. at 24-28, its motivation for certain arguably aggressive conduct in this litigation was also not unreasonable—Wiley's motions to attach Kirtsaeng's personal property and to have Kirtsaeng adjudged in contempt of a prior attachment order, for example, could reasonably have been motivated by a desire to protect the value of a judgment against Kirtsaeng, based on Wiley's belief that Kirtsaeng was withdrawing funds from his bank accounts and transferring title to his property to avoid satisfying a judgment against him. *Id.*[13] *Cf. Silverstein v. Penguin Putnam, Inc.*, No. 01 Civ. 309 (JFK), 2008 WL 678559, at *4 (S.D.N.Y. Mar. 12, 2008) (holding that even "regrettable conduct" such as "counsel's repeated and unfounded accusations of impropriety on the part of [the prevailing party] and

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[13] Wiley is also correct that, even if these discrete litigation tactics were to be deemed to have been in bad faith, a fee award on that basis would require Kirtsaeng to establish a link between the discrete bad faith acts and the costs incurred therefrom. *Cf. Matthew Bender & Co., Inc. v. West Publ'g Co.*, 41 F. App'x 507, 508-09 (2d Cir. 2002) (explaining that to support a claim for attorneys' fees under Section 505 based on the non-prevailing party's bad faith conduct, the moving party must either show that the conduct of the entire litigation was in bad faith or else "establish a link between specific bad faith conduct and the fees incurred that might justify a more limited award") (internal quotation marks and citation omitted).

its lawyers [that] were...reckless and uncalled for" did not outweigh the important factor that the non-prevailing party's claim was objectively reasonable).

Third, considerations of compensation and deterrence also do not weigh in favor of a fee award in this case. With regard to compensation, the evidence shows that Kirtsaeng has not in fact paid, and is not obligated to pay, most of the legal fees sought. *See* Ex. 6 (Orrick Retention Agreement) to Mustico Decl., ECF No. 109-6, at 2 ("In accordance with our *pro bono* representation, we have agreed to provide our legal services to you without charge (subject to the condition noted above [i.e., that if the Supreme Court grants certiorari in this case, Orrick will argue the case]). We have agreed to pay all out-of-pocket expenses related to this representation."); Ex. 12 (Israel Invoices to Kirtsaeng) to Israel Decl., ECF No. 94-12, at Invoice # 13736 (showing that, as of July 31, 2013, Kirtsaeng owed a balance of $26,285.14).[14] Moreover, as Wiley points out, Pl.'s Resp. at 29, Kirtsaeng's need for compensation for his legal defense in this case is tempered by his victory—he may now continue his arbitrage business free of the fear of incurring copyright liability. Thus equitable consideration of the need to compensate the prevailing defendant is not so strong as to

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[14] Although Kirtsaeng does not provide a total figure for the fee award he seeks, *see* Def.'s Br. at 26-40 (arguing that the fees charged by Kirtsaeng's legal team in this case were customary and reasonable and discussing hourly rates without providing the total figure sought); Def.'s Reply at 21-22 (same), the amounts reflected in Defendant's supporting documentation indicate a figure in excess of $2,000,000. *See* supra note 2; Pl.'s Resp. at 7.

outweigh the fact that Wiley's claim was not objectively unreasonable.

Finally, with regard to deterrence, Wiley did not engage in any conduct that equity suggests should be deterred in the future by the threat of a large fee award. As already discussed, Wiley brought this action based on its belief that, given then-existing legal interpretations of the Copyright Act, Kirtsaeng was infringing on Wiley's rights. Such actions should not be deterred. *See, e.g., Lotus Dev. Corp.*, 140 F.3d at 72-75 (quoted with approval in *Matthew Bender*, 240 F.3d at 121) (affirming the denial of attorneys' fees where the parties "had litigated a novel and unsettled question of copyright law in order to protect their own economic interests" because "when the parties are litigating a matter of some importance to the copyright laws, there is no need for deterrence") (internal quotation marks and citations omitted). *See also id.* at 75 (noting that parties to a copyright action "should not be deterred from litigation by the possibility that their refusal to settle...will be held against them after they prevail") (internal quotation marks and citation omitted).

Emphasizing the Supreme Court's characterization of the *Fogerty* factors discussed above as discretionary and non-exclusive, *see Fogerty*, 510 U.S. at 534 n.19, Kirtsaeng also argues that three additional considerations weigh in favor of a fee award in this case: 1) that Kirtsaeng's successful defense against Wiley's claim clarified the contours of the Copyright Act and its first sale doctrine, Def.'s Br. at 10-12; Def.'s Reply at 2-6; 2) the degree of Kirtsaeng's success in this litigation, Def.'s Br. at 13; Def.'s Reply at 14-15; and 3)

the imbalance of wealth and power between the parties, Def.'s Br. at 18-20; Def.'s Reply at 17-18. But none of these additional factors outweighs the substantial weight accorded to the objective reasonableness of Wiley's ultimately unsuccessful claim.

First, while it is true that this litigation clarified the boundaries of copyright law, this result is due as much to Wiley's risk in bringing the claim as to Kirtsaeng's successful defense against it. As this Court has recently explained,

> 'Because copyright law ultimately serves the purpose[] of enriching the general public through access to creative works, it is peculiarly important that the boundaries of copyright law be demarcated as clearly as possible.' 'But because *novel cases require a plaintiff to sue in the first place*, the need to encourage meritorious defenses is a factor that a district court may balance against the *potentially chilling effect of imposing a large fee award on a plaintiff*, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim.' Hence '*a court should not award attorneys' fees where the case is novel or close because such a litigation clarifies the boundaries of copyright law.*'

*Canal+ Image UK*, 792 F. Supp. 2d at 683.[15] Thus "the potentially chilling effect of imposing a large fee award on a plaintiff, who, in a particular case, may have advanced a reasonable, albeit unsuccessful, claim," *id.*, also weighs against a fee award in this case.

And while Kirtsaeng suggests that, but for the prospect of a fee award, he may have "thrown in the towel" and aborted the litigation before the Supreme Court had the chance to clarify the boundaries of copyright law,[16] the facts of this case suggest otherwise. Here, Kirtsaeng's continued defense against Wiley's claim was not threatened by high litigation costs be-

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[15] (emphasis added) (quoting *Fogerty*, 510 U.S. at 527; *Lotus Dev. Corp.*, 140 F.3d at 75; and *Earth Flag Ltd. v. Alamo Flag Co.*, 154 F. Supp. 2d 663, 666 (S.D.N.Y. 2001), respectively) (denying motion for attorneys' fees under Section 505 and noting that the defendants' conduct "risked the very lawsuit that...[the losing plaintiff] actually filed," that the plaintiff "took a risk that it would end up with nothing to show for its costs in prosecuting its claim," and that "[t]hese kinds of risks are inherent in any litigation involving contested rights").

[16] *See* Def.'s Reply at 6 ("If Kirtsaeng settled rather than 'press[ed]' his 'meritorious...defense' because of heavy litigation costs, the public would have lost the benefit of the Supreme Court's decision.") (quoting *Assessment Techs. of WI, LLC v. WIREdata, Inc.*, 361 F.3d 434, 437 (7th Cir. 2004) ("[W]ithout the prospect of [a fee] award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights."); *Harrison Music Corp. v. Tesfaye*, 293 F. Supp. 2d 80, 84 (D.D.C. 2003) ("[A fee award] addresses [the Copyright Act's] goals because it enables people to vindicate or defend their rights where it would otherwise be uneconomical to do so.")).

cause the novelty and potential importance of his case attracted offers of *pro bono* representation without any contingency or provision for a prospective fee award.[17] Moreover, the incentive that a successful defense resting on the first sale doctrine would permit Kirtsaeng to continue his arbitrage business free of the threat of future copyright liability distinguishes this case from one where continued litigation may have been uneconomical in the absence of the promise of a fee award.

Next, Kirtsaeng argues that the fact that he prevailed on the merits, rather than a technical defense (such as statute of limitations or laches), favors a fee award in this case. *See* Def.'s Reply at 14-15. But "the degree of success obtained" is a consideration that is relevant to the reasonableness of the magnitude of a particular fee award, rather than the threshold question of whether a fee award would further the purposes of the Copyright Act.[18] While this

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[17] As Wiley suggests, "the fact that top-flight law firms are competing with each other to volunteer free representation to gain Supreme Court experience and recognition is important." Pl.'s Resp. at 34; *see also id.* at 36 ("[A]n opportunity to brief and argue a Supreme Court appeal is rare and uniquely lucrative for law firms trying to build or maintain Supreme Court practices or develop large clients...[Here, the firm that offered Kirtsaeng free representation at the Supreme Court] has already received the benefit of its bargain. It had the all-too rare opportunity of arguing before the Supreme Court, and all the trappings that go with it—prestige, press, and, most importantly, the ability to market its experience to paying clients.").

[18] *Cf., e.g., Marek v. Chesny*, 473 U.S. 1, 11 (1985) (explaining that "'the most critical factor' *in determining a reasonable fee* 'is the degree of success obtained'") (emphasis added) (quoting *Hensley v.*

may be an important consideration when setting the amount of a fee award, the nature of a prevailing party's success does not directly address the interests of copyright law—it may be, for example, that even a small success on a technical issue against an objectively unreasonable claim or defense would warrant compensation and deterrence of similarly unreasonable future litigating positions or, conversely (and as is the case here), that a high degree of success in a novel or close case with reasonable litigating positions on both sides would *not* warrant a fee award because neither party should be discouraged from litigating in such circumstances. Kirtsaeng has not provided any

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*Eckerhart*, 461 U.S. 424, 436 (1983)); *see Hensley*, 461 U.S. at 435-36 ("Where a plaintiff has obtained excellent results, his attorney should recover a fully compensatory fee. ... If, on the other hand, a plaintiff has achieved only partial or limited success, the product of hours reasonably expended on the litigation as a whole times a reasonable hourly rate may be an excessive amount. ... [T]he most critical factor is the degree of success obtained."); *Miroglio S.P.A. v. Conway Stores, Inc.*, 629 F. Supp. 2d 307, 316 (S.D.N.Y. 2009) (considering "degree of success obtained" only when determining the amount of a reasonable fee award, after deciding that a fee award is warranted); *see id.* at 311 (concluding that a fee award was warranted because "[t]his was not a case in which the facts were 'close' or the issues 'novel' so as to make an award of attorney's fees inappropriate"; the award would provide compensation to the prevailing party for being "forced to pursue this lengthy litigation in the face of an obviously losing position on the part of defendants"; and because "the defendants' unreasonable position [was] directly responsible for [the prevailing plaintiff's] having had to expend the very costs and fees it now seeks"); *Vargas*, 2008 WL 3164586 at *4 (considering "degree of success obtained" only when determining the amount of a reasonable fee award, after deciding that a fee award is warranted); *see id.* at *3 (concluding that a fee award was warranted because the losing plaintiffs' claims were objectively unreasonable).

authority[19] to suggest that his ultimate success on the merits should override the substantial weight given to the objective reasonableness of Wiley's claim or the consideration that "a court should not award attorneys' fees where the case is novel or close" because neither party should be discouraged from litigating its reasonable legal position. *Earth Flag*, 154 F. Supp. 2d at 666.

Finally, Defendant suggests that the imbalance of wealth and power between the parties should

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[19] Kirtsaeng cites to *Fantasy, Inc. v. Fogerty*, 94 F.3d 553, 556 (9th Cir. 1996) (affirming district court's grant of fee award to the prevailing defendant after remand from *Fogerty*, 510 U.S. 517), where the Court of Appeals for the Ninth Circuit referred to the combined results of a bifurcated proceeding in which the district court below first determined entitlement to a fee award and only then considered the appropriate amount of such an award. Def.'s Reply at 14-15. Because this reference describes a district court's consideration of the proper amount of a fee award after having decided that such award is warranted, Defendant's citation to *Fantasy*, 94 F.3d at 556, is not inconsistent with the court's conclusion above that the degree of success obtained is a consideration more relevant to the reasonableness of the magnitude of a particular fee award than it is to whether such award would further the goals of the Copyright Act. The only other authority cited by the Defendant to support employing the degree of success factor at this stage, *see* Def.'s Reply at 15; Def.'s Br. at 13 (discussing degree of success obtained without citing to any authority), is *Video-Cinema Films, Inc. v. Cable News Network, Inc.*, No. 98 Civ. 7128 (BSJ), 2003 WL 1701904 (Mar. 31, 2003), where the court concluded that a fee award to the prevailing defendant was appropriate because "Plaintiff was improperly motivated to bring this copyright action and...Plaintiff's position was objectively unreasonable," *id.* at *5, without mentioning the degree of success obtained by the prevailing party.

override the substantial weight accorded to the objective reasonableness of Wiley's claim. *See* Def.'s Br. at 18-20; Def.'s Reply at 17-18. But like the degree of success obtained, financial disparity between the parties is a consideration more relevant to "determining the magnitude of an award once it has been resolved that such an award is appropriate." *Penguin Books U.S.A., Inc. v. New Christian Church of Full Endeavor, Ltd.*, No. 96 Civ. 4126 (RWS), 2004 WL 728878, at *5 (Apr. 6, 2004) (holding that the parties' relative financial strength is not a determinative factor in deciding whether to award attorneys' fees under Section 505).[20] As with the degree of success obtained, financial disparity does not speak to whether a fee award (whether large or small) would further the goals of the Copyright Act, for it may be that even a small award against an impecunious party with an unreasonable litigating position may further the Copyright

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[20] *See also id.* at *6 (noting two S.D.N.Y. decisions that "treated a financial disparity between the parties as a factor to be weighed in determining whether an award should issue rather than simply the magnitude of such an award," but opining that "[t]o the extent these opinions were premised on mistaken or opaque prior constructions of the holding in *Williams*, this Court declines to tread that same path"); *see id.* at *5 (explaining that most S.D.N.Y. cases addressing the parties' financial disparity in the context of Section 505 fee awards can be "traced back to their collective point of origin in *Williams v. Crichton*, [No. 93 Civ. 6829 (LMM), 1995 WL 449068, at *1 (S.D.N.Y. July 26, 1995) (taking into consideration the relative financial strength of the parties in "determining the amount of an award under [Section 505]" after deciding that a fee award is warranted)]" and arguing that these cases therefore "stand only for the notion that financial disparities may be a factor considered in determining the magnitude of an award once it has been resolved that such an award is appropriate").

Act's goals by incentivizing reasonableness in copyright litigation or, conversely, that a fee award would not advance the Copyright Act's goals in a case involving a large financial disparity between the parties because, as here, it is important to encourage reasonable claims (regardless of a plaintiff's wealth or poverty) as well as meritorious defenses involving close or novel issues of copyright law. Accordingly, Kirtsaeng's argument that the financial disparity between the parties in this case weighs in favor of a fee award is also unpersuasive.

## CONCLUSION

Because Wiley's claim was not objectively unreasonable, and because no other factor weighs against this important consideration in the circumstances of this case, grant of Kirtsaeng's fee request is not appropriate. Defendant's motion for an award of attorneys' fees and reimbursement of litigation expenses is therefore denied.[21]

It is SO ORDERED.

/s/ Donald C. Pogue
Donald C. Pogue, Judge[22]

Dated: December 20, 2013 New York, New York

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[21] All outstanding discovery disputes between the parties regarding the evidence potentially relevant to calculating a reasonable fee in this case are accordingly moot.

[22] Chief Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.

## APPENDIX C

09-4896-cv
*John Wiley & Sons, Inc. v. Supap Kirtsaeng*

## UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

August Term, 2009

(Argued: May 19, 2010 Decided: April 23, 2013)

Docket No. 09-4896-cv

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JOHN WILEY & SONS, INC.,
*Plaintiff-Appellee,*

v

SUPAP KIRTSAENG,
doing business as BLUECHRISTINE99,
*Defendant-Appellant.*

Before: CABRANES and KATZMANN, *Circuit Judges*, and MURTHA, *District Judge*.*

This case returns to us on remand from the Supreme Court of the United States, which reversed our prior decision by holding that the "first sale" doctrine, *see* 17 U.S.C. § 109(a), provides a defense against a copyright infringement claim based on unauthorized resale "where, as here, copies are manufactured abroad with the permission of the copyright

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* The Honorable J. Garvan Murtha, of the United States District Court for the District of Vermont, sitting by designation.

owner." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1358 (2013). Based on this holding, we have nothing left to decide in this case. Kirtsaeng's liability was erroneously premised on the inapplicability of the first sale doctrine to copyrighted works manufactured abroad. The judgment of the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation) is reversed and the cause is remanded for such further proceedings as may be appropriate prior to entry of final judgment.

William Dunnegan (Laura Scileppi, *on the brief*), Dunnegan LLC, New York, NY, *for plaintiff-appellee.*

Sam P Israel, New York, NY, *for defendant-appellant.*

John T. Mitchell, Interaction Law. Washington, DC, *for amici curiae Entertainment Merchants Association and National Association of Recording Merchandisers.*

Norman H. Levin (Aaron J. Moss, *on the brief*), Greenberg Glusker Fields Claman & Machtinger LLP, Los Angeles, CA, *for amicus curiae Costco Wholesale Corporation.*

Charles A. Weiss, Kenyon & Kenyon LLP (Mark A. Abate, Goodwin Proctor LLP, *on the brief*), New York, NY, *for amicus curiae New York Intellectual Property Law Association.*

PER CURIAM:

This case returns to us on remand from the Supreme Court of the United States, which reversed our prior decision by holding that the "first sale" doctrine, *see* 17 U.S.C. § 109(a), provides a defense against a copyright infringement claim based on unauthorized resale "where, as here, copies are manufactured abroad with the permission of the copyright owner." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1358 (2013). We assume the parties' familiarity with the facts and procedural history of this case.

Based on the Supreme Court's holding, we have nothing left to decide. A jury found defendant-appellant Supap Kirtsaeng liable of copyright infringement based on his importation and resale of copyrighted works manufactured abroad.[1] Kirtsaeng's liability was premised on the inapplicability of the first sale doctrine to copyrighted works manufactured abroad, even when (as here)

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[1] Plaintiff-appellee originally asserted trademark infringement and unfair competition claims, which were voluntarily dismissed with prejudice prior to trial. *See* Joint Pre-Trial Order, *John Wiley & Sons, Inc. v. Kirtsaeng*, 08 Civ. 7834 (DCP) (S.D.N.Y. Oct. 28, 2009), ECF No. 64, at 14 ("Pre-Trial Order").

the copyrighted works were manufactured and initially sold in accordance with the copyright laws of the United States.[2] The United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation) denied Kirtsaeng's motion to instruct the jury regarding the applicability of the first sale defense.

In light of the Supreme Court's holding that the first sale doctrine *does* apply to such works, thus providing Kirtsaeng with a valid defense to copyright infringement, the District Court's judgment is **REVERSED**, and the cause is **REMANDED** for such further proceedings as may be appropriate prior to entry of final judgment.

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[2] The parties' joint stipulation of facts prior to trial states, in relevant part, that the textbooks at issue "are only Wiley textbooks originally acquired from the foreign copyright owner" and "were manufactured in accordance with [United States copyright law]....There is no claim here that these were counterfeit books." Pre-Trial Order at 11.

## APPENDIX D

NOTICE: This opinion is subject to formal revision before publication in the preliminary print of the United States Reports. Readers are requested to notify the Reporter of Decisions, Supreme Court of the United States, Washington, D. C. 20543, of any typographical or other formal errors, in order that corrections may be made before the preliminary print goes to press.

## SUPREME COURT OF THE UNITED STATES

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER *v.* JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[March 19, 2013]

JUSTICE BREYER delivered the opinion of the Court.

Section 106 of the Copyright Act grants "the owner of copyright under this title" certain "exclusive rights," including the right "to distribute copies...of the copyrighted work to the public by sale or other transfer of ownership." 17 U. S. C. §106(3). These rights are qualified, however, by the application of various limitations set forth in the next several sections of the Act, §§107 through 122. Those sections,

typically entitled "Limitations on exclusive rights," include, for example, the principle of "fair use" (§107), permission for limited library archival reproduction, (§108), and the doctrine at issue here, the "first sale" doctrine (§109).

Section 109(a) sets forth the "first sale" doctrine as follows:

> "Notwithstanding the provisions of section 106(3) [the section that grants the owner exclusive distribution rights], the owner of a particular copy or phonorecord *lawfully made under this title*...is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." (Emphasis added.)

Thus, even though §106(3) forbids distribution of a copy of, say, the copyrighted novel Herzog without the copyright owner's permission, §109(a) adds that, once a copy of Herzog has been lawfully sold (or its ownership otherwise lawfully transferred), the buyer of *that copy* and subsequent owners are free to dispose of it as they wish. In copyright jargon, the "first sale" has "exhausted" the copyright owner's §106(3) exclusive distribution right.

What, however, if the copy of Herzog was printed abroad and then initially sold with the copyright owner's permission? Does the "first sale" doctrine still apply? Is the buyer, like the buyer of a domestically manufactured copy, free to bring the copy into the United States and dispose of it as he or she wishes?

To put the matter technically, an "importation" provision, §602(a)(1), says that

> "[i]mportation into the United States, without the authority of the owner of copyright under this title, of copies...of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies...*under section 106*..." 17 U. S. C. §602(a)(1)(2006 ed., Supp. V)(emphasis added).

Thus §602(a)(1) makes clear that importing a copy without permission violates the owner's exclusive distribution right. But in doing so, §602(a)(1) refers explicitly to the *§106(3)* exclusive distribution right. As we have just said, §106 is by its terms "[s]ubject to" the various doctrines and principles contained in §§107 through 122, including §109(a)'s "first sale" limitation. Do those same modifications apply—in particular, does the "first sale" modification apply—when considering whether §602(a)(1) prohibits importing a copy?

In *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135, 145 (1998), we held that §602(a)(1)'s reference to §106(3)'s exclusive distribution right incorporates the later subsections' limitations, including, in particular, the "first sale" doctrine of §109. Thus, it might seem that, §602(a)(1) notwithstanding, one who buys a copy abroad can freely import that copy into the United States and dispose of it, just as he could had he bought the copy in the United States.

But *Quality King* considered an instance in which the copy, though purchased abroad, was initially manufactured in the United States (and then sent abroad and sold). This case is like *Quality King* but for one important fact. The copies at issue here were manufactured abroad. That fact is important because §109(a) says that the "first sale" doctrine applies to "a particular copy or phonorecord *lawfully made under this title*." And we must decide here whether the five words, "lawfully made under this title," make a critical legal difference.

Putting section numbers to the side, we ask whether the "first sale" doctrine applies to protect a buyer or other lawful owner of a copy (of a copyrighted work) lawfully manufactured abroad. Can that buyer bring that copy into the United States (and sell it or give it away) without obtaining permission to do so from the copyright owner? Can, for example, someone who purchases, say at a used bookstore, a book printed abroad subsequently resell it without the copyright owner's permission?

In our view, the answers to these questions are, yes. We hold that the "first sale" doctrine applies to copies of a copyrighted work lawfully made abroad.

## I

### A

Respondent, John Wiley & Sons, Inc., publishes academic textbooks. Wiley obtains from its authors various foreign and domestic copyright assignments, licenses and permissions—to the point that we can,

for present purposes, refer to Wiley as the relevant American copyright owner. *See* 654 F. 3d 210, 213, n. 6 (CA2 2011). Wiley often assigns to its wholly owned foreign subsidiary, John Wiley & Sons (Asia) Pte Ltd., rights to publish, print, and sell Wiley's English language textbooks abroad. App. to Pet. for Cert. 47a-48a. Each copy of a Wiley Asia foreign edition will likely contain language making clear that the copy is to be sold only in a particular country or geographical region outside the United States. 654 F. 3d, at 213.

For example, a copy of Wiley's American edition says, "Copyright © 2008 John Wiley & Sons, Inc. All rights reserved. ...Printed in the United States of America." J. Walker, Fundamentals of Physics, p. vi (8th ed. 2008). A copy of Wiley Asia's Asian edition of that book says:

> "Copyright © 2008 John Wiley & Sons (Asia) Pte Ltd[.] All rights reserved. This book is authorized for sale in Europe, Asia, Africa, and the Middle East only and may be not exported out of these territories. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. ...Printed in Asia." J. Walker, Fundamentals of Physics, p. vi (8th ed. 2008 Wiley Int'l Student ed.).

Both the foreign and the American copies say:

> "No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any

form or by any means...except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act." Compare, *e.g.*, *ibid.* (Int'l ed.), with Walker, *supra*, at vi (American ed.).

The upshot is that there are two essentially equivalent versions of a Wiley textbook, 654 F. 3d, at 213, each version manufactured and sold with Wiley's permission: (1) an American version printed and sold in the United States, and (2) a foreign version manufactured and sold abroad. And Wiley makes certain that copies of the second version state that they are not to be taken (without permission) into the United States. *Ibid.*

Petitioner, Supap Kirtsaeng, a citizen of Thailand, moved to the United States in 1997 to study mathematics at Cornell University. *Ibid.* He paid for his education with the help of a Thai Government scholarship which required him to teach in Thailand for 10 years on his return. Brief for Petitioner 7. Kirtsaeng successfully completed his undergraduate courses at Cornell, successfully completed a Ph.D. program in mathematics at the University of Southern California, and then, as promised, returned to Thailand to teach. *Ibid.* While he was studying in the United States, Kirtsaeng asked his friends and family in Thailand to buy copies of foreign edition English-language textbooks at Thai book shops, where they sold at low prices, and mail them to him in the United States. *Id.*, at 7-8. Kirtsaeng would then sell them, reimburse his family and friends, and keep the profit. App. to Pet. for Cert. 48a-49a.

In 2008 Wiley brought this federal lawsuit against Kirtsaeng for copyright infringement. 654 F. 3d, at 213. Wiley claimed that Kirtsaeng's unauthorized importation of its books and his later resale of those books amounted to an infringement of Wiley's §106(3) exclusive right to distribute as well as §602's related import prohibition. 17 U. S. C. §§106(3) (2006 ed.), 602(a) (2006 ed., Supp. V). *See also* §501 (2006 ed.) (authorizing infringement action). App. 204-211. Kirtsaeng replied that the books he had acquired were "'lawfully made'" and that he had acquired them legitimately. Record in No. 1:08-CV 7834-DCP (SDNY), Doc. 14, p. 3. Thus, in his view, §109(a)'s "first sale" doctrine permitted him to resell or otherwise dispose of the books without the copyright owner's further permission. *Id.*, at 2-3.

The District Court held that Kirtsaeng could not assert the "first sale" defense because, in its view, that doctrine does not apply to "foreign-manufactured goods" (even if made abroad with the copyright owner's permission). App. to Pet. for Cert. 72a. The jury then found that Kirtsaeng had willfully infringed Wiley's American copyrights by selling and importing without authorization copies of eight of Wiley's copyrighted titles. And it assessed statutory damages of $600,000 ($75,000 per work). 654 F 3d, at 215.

On appeal, a split panel of the Second Circuit agreed with the District Court. *Id.*, at 222. It pointed out that §109(a)'s "first sale" doctrine applies only to "the owner of a particular copy...*lawfully made under this title.*" *Id.*, at 218-219 (emphasis added).

And, in the majority's view, this language means that the "first sale" doctrine does not apply to copies of American copyrighted works manufactured abroad. *Id.*, at 221. A dissenting judge thought that the words "lawfully made under this title" do not refer "to a place of manufacture" but rather "focu[s] on whether a particular copy was manufactured lawfully under" America's copyright statute, and that "the lawfulness of the manufacture of a particular copy should be judged by U. S. copyright law." *Id.*, at 226 (opinion of Murtha, J.).

We granted Kirtsaeng's petition for certiorari to consider this question in light of different views among the Circuits. Compare *id.*, at 221 (case below) ("first sale" doctrine does not apply to copies manufactured outside the United States), with *Omega S. A. v. Costco Wholesale Corp.*, 541 F. 3d 982, 986 (CA9 2008) ("first sale" doctrine applies to copies manufactured outside the United States only if an authorized first sale occurs within the United States), aff'd by an equally divided court, 562 U. S. ___ (2010), and *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F. 2d 1093, 1098, n. 1 (CA3 1988) (limitation of the first sale doctrine to copies made within the United States "does not fit comfortably within the scheme of the Copyright Act").

II

We must decide whether the words "lawfully made under this title" restrict the scope of §109(a)'s "first sale" doctrine geographically. The Second Circuit, the Ninth Circuit, Wiley, and the Solicitor General (as *amicus*) all read those words as imposing a form

of *geographical* limitation. The Second Circuit held that they limit the "first sale" doctrine to particular copies "made in territories *in which the Copyright Act is law*," which (the Circuit says) are copies "manufactured domestically," not "outside of the United States." 654 F. 3d, at 221-222 (emphasis added). Wiley agrees that those five words limit the "first sale" doctrine "to copies made in conformance with the [United States] Copyright Act *where the Copyright Act is applicable*," which (Wiley says) means it does not apply to copies made "outside the United States" and at least not to "foreign production of a copy for distribution exclusively abroad." Brief for Respondent 15-16. Similarly, the Solicitor General says that those five words limit the "first sale" doctrine's applicability to copies "'*made subject to* and in compliance with [the Copyright Act],'" which (the Solicitor General says) are copies "made in the United States." Brief for United States as *Amicus Curiae* 5 (hereinafter Brief for United States) (emphasis added). And the Ninth Circuit has held that those words limit the "first sale" doctrine's applicability (1) to copies lawfully made in the United States, and (2) to copies lawfully made outside the United States but initially sold in the United States with the copyright owner's permission. *Denbicare U. S. A. Inc. v. Toys "R" Us, Inc.*, 84 F. 3d 1143, 1149-1150 (1996).

Under any of these geographical interpretations, §109(a)'s "first sale" doctrine would not apply to the Wiley Asia books at issue here. And, despite an American copyright owner's permission to *make* copies abroad, one who *buys* a copy of any such book or

other copyrighted work—whether at a retail store, over the Internet, or at a library sale—could not resell (or otherwise dispose of) that particular copy without further permission.

Kirtsaeng, however, reads the words "lawfully made under this title" as imposing a *non*-geographical limitation. He says that they mean made "in accordance with" or "in compliance with" the Copyright Act. Brief for Petitioner 26. In that case, §109(a)'s "first sale" doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law. In particular, the doctrine would apply where, as here, copies are manufactured abroad with the permission of the copyright owner. *See* §106 (referring to the owner's right to authorize).

In our view, §109(a)'s language, its context, and the common-law history of the "first sale" doctrine, taken together, favor a *non*-geographical interpretation. We also doubt that Congress would have intended to create the practical copyright-related harms with which a geographical interpretation would threaten ordinary scholarly, artistic, commercial, and consumer activities. *See* Part II-D, *infra*. We consequently conclude that Kirtsaeng's nongeographical reading is the better reading of the Act.

A

The language of §109(a) read literally favors Kirtsaeng's nongeographical interpretation, namely. that "lawfully made under this title" means made "in accordance with" or "in compliance with" the Copy-

right Act. The language of §109(a) says nothing about geography. The word "under" can mean "[i]n accordance with." 18 Oxford English Dictionary 950 (2d ed. 1989). *See also* Black's Law Dictionary 1525 (6th ed. 1990) ("according to"). And a nongeographical interpretation provides each word of the five-word phrase with a distinct purpose. The first two words of the phrase, "lawfully made," suggest an effort to distinguish those copies that were made lawfully from those that were not, and the last three words, "under this title," set forth the standard of "lawful[ness]." Thus, the nongeographical reading is simple, it promotes a traditional copyright objective (combatting piracy), and it makes word-by-word linguistic sense.

The geographical interpretation, however, bristles with linguistic difficulties. It gives the word "lawfully" little, if any, linguistic work to do. ("How could a book be *un*lawfully "made under this title"?) It imports geography into a statutory provision that says nothing explicitly about it. And it is far more complex than may at first appear.

To read the clause geographically, Wiley, like the Second Circuit and the Solicitor General, must first emphasize the word "under." Indeed, Wiley reads "under this title" to mean "in conformance with the Copyright Act *where the Copyright Act is applicable.*" Brief for Respondent 15. Wiley must then take a second step, arguing that the Act "is applicable" only in the United States. *Ibid.* And the Solicitor General must do the same. *See* Brief for United States 6 ("A copy is '*lawfully* made under this title' if Title 17

governs the copy's creation *and* the copy is made in compliance with Title 17's requirements"). *See also post*, at 7 (GINSBURG, J., dissenting) ("under" describes something "governed or regulated by another").

One difficulty is that neither "under" nor any other word in the phrase means "where." *See, e.g.*, 18 Oxford English Dictionary, *supra*, at 947-952 (definition of "under"). It might mean "subject to," *see post*, at 6, but as this Court has repeatedly acknowledged, the word evades a uniform, consistent meaning. *See Kucana v. Holder*, 558 U. S. 233, 245 (2010) ("'under' is chameleon"); *Ardestani v. INS*, 502 U. S. 129, 135 (1991) ("under" has "many dictionary definitions" and "must draw its meaning from its context").

A far more serious difficulty arises out of the uncertainty and complexity surrounding the second step's effort to read the necessary geographical limitation into the word "applicable" (or the equivalent). Where, precisely, is the Copyright Act "applicable"? The Act does not instantly *protect* an American copyright holder from unauthorized piracy taking place abroad. But that fact does not mean the Act is *inapplicable* to copies made abroad. As a matter of ordinary English, one can say that a statute imposing, say, a tariff upon "any rhododendron grown in Nepal" applies to *all* Nepalese rhododendrons. And, similarly, one can say that the American Copyright Act is *applicable* to *all* pirated copies, including those printed overseas. Indeed, the Act itself makes clear that (in the Solicitor General's language) foreign-printed pirated copies are "subject to" the Act.

§602(a)(2) (2006 ed., Supp. V) (referring to importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable"); Brief for United States 5. *See also post*, at 6 (suggesting that "made under" may be read as "subject to").

The appropriateness of this linguistic usage is underscored by the fact that §104 of the Act itself says that works "*subject to protection under this title*" include unpublished works "without regard to the nationality or domicile of the author," and works "first published" in any one of the nearly 180 nations that have signed a copyright treaty with the United States. §§104(a), (b) (2006 ed.) (emphasis added); §101 (2006 ed., Supp. V) (defining "treaty party"); U. S. Copyright Office, Circular No. 38A, International Copyright Relations of the United States (2010). Thus, ordinary English permits us to say that the Act "applies" to an Irish manuscript lying in its author's Dublin desk drawer as well as to an original recording of a ballet performance first made in Japan and now on display in a Kyoto art gallery. *Cf.* 4 M. Nimmer & D. Nimmer, Copyright §17.02, pp. 17-18, 17-19 (2012) (hereinafter Nimmer on Copyright) (noting that the principle that "copyright laws do not have any extraterritorial operation" "requires some qualification").

The Ninth Circuit's geographical interpretation produces still greater linguistic difficulty. As we said, that Circuit interprets the "first sale" doctrine to cover both (1) copies manufactured in the United

States and (2) copies manufactured abroad but first sold in the United States with the American copyright owner's permission. *Denbicare U. S. A.*, 84 F. 3d, at 1149-1150. *See also* Brief for Respondent 16 (suggesting that the clause *at least* excludes "the foreign production of a copy for distribution exclusively abroad"); *id.*, at 51 (the Court need "not decide whether the copyright owner would be able to restrict further distribution" in the case of "a downstream domestic purchaser of *authorized* imports"); Brief for Petitioner in *Costco Wholesale Corp. v. Omega, S. A., O. T.* 2010, No. 08-1423, p. 12 (excepting imported copies "made by unrelated foreign copyright holders" (emphasis deleted)).

We can understand why the Ninth Circuit may have thought it necessary to add the second part of its definition. As we shall later describe, *see* Part II-D, *infra*, without some such qualification a copyright holder could prevent a buyer from domestically reselling or even giving away copies of a video game made in Japan, a film made in Germany, or a dress fabric (with a design copyright) made in China, *even* if the copyright holder has granted permission for the foreign manufacture, importation, and an initial domestic sale of the copy. A publisher such as Wiley would be free to print its books abroad, allow their importation and sale within the United States, but prohibit students from later selling their used texts at a campus bookstore. We see no way, however, to reconcile this half-geographical/half-nongeographical interpretation with the language of the phrase, "lawfully made under this title." As a matter of English,

it would seem that those five words either do cover copies lawfully made abroad or they do not.

In sum, we believe that geographical interpretations create more linguistic problems than they resolve. And considerations of simplicity and coherence tip the purely linguistic balance in Kirtsaeng's, nongeographical, favor.

B

Both historical and contemporary statutory context indicate that Congress, when writing the present version of §109(a), did not have geography in mind. In respect to history, we compare §109(a)'s present language with the language of its immediate predecessor. That predecessor said:

> "[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained*." Copyright Act of 1909, §41, 35 Stat. 1084 (emphasis added).

*See also* Copyright Act of 1947, §27, 61 Stat. 660. The predecessor says nothing about geography (and Wiley does not argue that it does). So we ask whether Congress, in changing its language implicitly *introduced* a geographical limitation that previously was lacking. *See also* Part II-C, *infra* (discussing 1909 codification of common-law principle).

A comparison of language indicates that it did not. The predecessor says that the "first sale" doctrine protects "the transfer of any copy *the possession of*

*which has been lawfully obtained.*" The present version says that "*the owner* of a particular copy or phonorecord lawfully made under this title is entitled to sell or otherwise dispose of the possession of that copy or phonorecord." What does this change in language accomplish?

The language of the former version referred to those *who are not owners* of a copy, but mere possessors who "lawfully obtained" a copy. The present version covers only those who are *owners* of a "lawfully made" copy. Whom does the change leave out? Who might have lawfully *obtained* a copy of a copyrighted work but not *owned* that copy? One answer is owners of movie theaters, who during the 1970's (and before) often *leased* films from movie distributors or filmmakers. *See* S. Donahue, American Film Distribution 134, 177 (1987) (describing producer-distributer and distributer-exhibitor agreements); Note, The Relationship Between Motion Picture Distribution and Exhibition: An Analysis of the Effects of Anti-Blind Bidding Legislation, 9 Comm/Ent. L. J. 131, 135 (1986). Because the theater owners had "lawfully obtained" their copies, the earlier version could be read as allowing them to sell that copy, *i.e.*, it might have given them "first sale" protection. Because the theater owners were lessees, not owners, of their copies, the change in language makes clear that they (like bailees and other lessees) cannot take advantage of the "first sale" doctrine. (Those who find legislative history useful will find confirmation in, *e.g.*, House Committee on the Judiciary, Copyright Law Revision, Supplementary Report of the Register of Copyrights on the General Revision of

the U. S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., pt. 6, p. 30 (Comm. Print 1965) (hereinafter Copyright Law Revision) ("[W]here a person has rented a print of a motion picture from the copyright owner, he would have no right to lend, rent, sell, or otherwise dispose of the print without first obtaining the copyright owner's permission"). *See also Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F. 2d 847, 851 (CA2 1963) (Friendly, J.) (pointing out predecessor statute's leasing problem)).

This objective perfectly well explains the new language of the present version, including the five words here at issue. Section 109(a) now makes clear that a lessee of a copy will *not* receive "first sale" protection but one who *owns* a copy *will* receive "first sale" protection, *provided*, of course, that the copy was "*lawfully made*" and not pirated. The new language also takes into account that a copy may be "lawfully made under this title" when the copy, say of a phonorecord, comes into its owner's possession through use of a compulsory license, which "this title" provides for elsewhere, namely, in §115. Again, for those who find legislative history useful, the relevant legislative report makes this clear. H. R. Rep. No. 94-1476, p. 79 (1976) ("For example, any resale of an illegally 'pirated' phonorecord would be an infringement, but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not").

Other provisions of the present statute also support a nongeographical interpretation. For one thing, the statute phases out the "manufacturing

clause," a clause that appeared in earlier statutes and had limited importation of many copies (of copyrighted works) printed outside the United States. §601, 90 Stat. 2588 ("Prior to July 1, 1982...the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material...is prohibited unless the portions consisting of such material have been manufactured in the United States or Canada"). The phasing out of this clause sought to equalize treatment of copies manufactured in America and copies manufactured abroad. *See* H. R. Rep. No. 94-1476, at 165-166.

The "equal treatment" principle, however, is difficult to square with a geographical interpretation of the "first sale" clause that would grant the holder of an American copyright (perhaps a foreign national, *see supra*, at 10) permanent control over the American distribution chain (sales, resales, gifts, and other distribution) in respect to copies printed abroad but not in respect to copies printed in America. And it is particularly difficult to believe that Congress would have sought this unequal treatment while saying nothing about it and while, in a related clause (the manufacturing phase-out), seeking the opposite kind of policy goal. *Cf. Golan v. Holder*, 565 U. S. ___, ___ (2012) (slip op., at 30) (Congress has moved from a copyright regime that, prior to 1891, entirely excluded foreign works from U. S. copyright protection to a regime that now "ensure[s] that most works, whether foreign or domestic, would be *governed by the same legal regime*" (emphasis added)).

Finally, we normally presume that the words "lawfully made under this title" carry the same meaning when they appear in different but related sections. *Department of Revenue of Ore. v. ACF Industries, Inc.*, 510 U. S. 332, 342 (1994). But doing so here produces surprising consequences. Consider:

(1) Section 109(c) says that, despite the copyright owner's exclusive right "to display" a copyrighted work (provided in §106(5)), the owner of a particular copy "lawfully made under this title" may publicly display it without further authorization. To interpret these words geographically would mean that one who buys a copyrighted work of art, a poster, or even a bumper sticker, in Canada, in Europe, in Asia, could not display it in America without the copyright owner's further authorization.

(2) Section 109(e) specifically provides that the owner of a particular copy of a copyrighted video arcade game "lawfully made under this title" may "publicly perform or display that game in coin-operated equipment" without the authorization of the copyright owner. To interpret these words geographically means that an arcade owner could not ("without the authority of the copyright owner") perform or display arcade games (whether new or used) originally made in Japan. *Cf. Red Baron-Franklin Park, Inc. v. Taito Corp.*, 883 F 2d 275 (CA4 1989).

(3) Section 110(1) says that a teacher, without the copyright owner's authorization, is allowed to perform or display a copyrighted work (say, an audio-

visual work) "in the course of face-to-face teaching activities"—unless the teacher knowingly used "a copy that was not lawfully made under this title." To interpret these words geographically would mean that the teacher could not (without further authorization) use a copy of a film during class if the copy was lawfully made in Canada, Mexico, Europe, Africa, or Asia.

(4) In its introductory sentence, §106 provides the Act's basic exclusive rights to an "owner of a copyright under this title." The last three words cannot support a geographic interpretation.

Wiley basically accepts the first three readings, but argues that Congress intended the restrictive consequences. And it argues that context simply requires that the words of the fourth example receive a different interpretation. Leaving the fourth example to the side, we shall explain in Part II-D, *infra*, why we find it unlikely that Congress would have intended these, and other related consequences.

C

A relevant canon of statutory interpretation favors a nongeographical reading. "[W]hen a statute covers an issue previously governed by the common law," we must presume that "Congress intended to retain the substance of the common law" *Samantar v. Yousuf*, 560 U. S. ___, ___, n. 13 (2010) (slip op., at 14, n. 13). *See also Isbrandtsen Co. v. Johnson*, 343 U. S. 779, 783 (1952) ("Statutes which invade the common law...are to be read with a presumption favoring the retention of long-established and familiar

principles, except when a statutory purpose to the contrary is evident").

The "first sale" doctrine is a common-law doctrine with an impeccable historic pedigree. In the early 17th century Lord Coke explained the common law's refusal to permit restraints on the alienation of chattels. Referring to Littleton, who wrote in the 15th century, Gray, Two Contributions to Coke Studies, 72 U. Chi. L. Rev. 1127, 1135 (2005), Lord Coke wrote:

> "[If] a man be possessed of...a horse, or of any other chattel...and give or sell his whole interest...therein upon condition that the Donee or Vendee shall not alien[ate] the same, the [condition] is voi[d], because his whole interest...is out of him, so as he hath no possibilit[y] of a Reverter, and it is against Trade and Traffi[c], and bargaining and contracting betwee[n] man and man: and it is within the reason of our Author that it should ouster him of all power given to him." 1 E. Coke, Institutes of the Laws of England §360, p. 223 (1628).

A law that permits a copyright holder to control the resale or other disposition of a chattel once sold is similarly "against Trade and Traffi[c], and bargaining and contracting." *Ibid.*

With these last few words, Coke emphasizes the importance of leaving buyers of goods free to compete with each other when reselling or otherwise disposing of those goods. American law too has generally thought that competition, including freedom to

resell, can work to the advantage of the consumer. *See, e.g., Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U. S. 877, 886 (2007) (restraints with "manifestly anticompetitive effects" are *per se* illegal; others are subject to the rule of reason (internal quotation marks omitted)); 1 P Areeda & H. Hovenkamp, Antitrust Law ¶100, p. 4 (3d ed. 2006) ("[T]he principal objective of antitrust policy is to maximize consumer welfare by encouraging firms to behave competitively").

The "first sale" doctrine also frees courts from the administrative burden of trying to enforce restrictions upon difficult-to-trace, readily movable goods. And it avoids the selective enforcement inherent in any such effort. Thus, it is not surprising that for at least a century the "first sale" doctrine has played an important role in American copyright law. *See Bobbs-Merrill Co. v. Straus*, 210 U. S. 339 (1908); Copyright Act of 1909, §41, 35 Stat. 1084. *See also* Copyright Law Revision, Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law, 88th Cong., 2d Sess., pt. 4, p. 212 (Comm. Print 1964) (Irwin Karp of Authors' League of America expressing concern for "the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale").

The common-law doctrine makes no geographical distinctions; nor can we find any in *Bobbs-Merrill* (where this Court first applied the "first sale" doctrine) or in §109(a)'s predecessor provision, which Congress enacted a year later. *See supra*, at 12. Rather, as the Solicitor General acknowledges, "a

straightforward application of *Bobbs-Merrill*" would not preclude the "first sale" defense from applying to authorized copies made overseas. Brief for United States 27. And we can find no language, context, purpose, or history that would rebut a "straightforward application" of that doctrine here.

The dissent argues that another principle of statutory interpretation works against our reading, and points out that elsewhere in the statute Congress used different words to express something like the non-geographical reading we adopt. *Post*, at 8-9 (quoting §602(a)(2) (prohibiting the importation of copies "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable" (emphasis deleted))). Hence, Congress, the dissent believes, must have meant §109(a)'s different language to mean something different (such as the dissent's own geographical interpretation of §109(a)). We are not aware, however, of any canon of interpretation that forbids interpreting different words used in different parts of the same statute to mean roughly the same thing. Regardless, were there such a canon, the dissent's interpretation of §109(a) would also violate it. That is because Congress elsewhere in the 1976 Act included the words "manufactured in the United States or Canada," 90 Stat. 2588, which express just about the same geographical thought that the dissent reads into §109(a)'s very different language.

D

Associations of libraries, used-book dealers, technology companies, consumer-goods retailers, and museums point to various ways in which a geographical interpretation would fail to further basic constitutional copyright objectives, in particular "promot[ing] the Progress of Science and useful Arts." U. S. Const., Art. I, §8, cl. 8.

The American Library Association tells us that library collections contain at least 200 million books published abroad (presumably, many were first published in one of the nearly 180 copyright-treaty nations and enjoy American copyright protection under 17 U. S. C. §104, *see supra*, at 10); that many others were first published in the United States but printed abroad because of lower costs; and that a geographical interpretation will likely require the libraries to obtain permission (or at least create significant uncertainty) before circulating or otherwise distributing these books. Brief for American Library Association et al. as *Amici Curiae* 4, 15-20. *Cf. id.*, at 16-20, 28 (discussing limitations of potential defenses, including the fair use and archival exceptions, §§107-108). *See also* Library and Book Trade Almanac 511 (D. Bogart ed., 55th ed. 2010) (during 2000-2009 "a significant amount of book printing moved to foreign nations").

How, the American Library Association asks, are the libraries to obtain permission to distribute these millions of books? How can they find, say, the copyright owner of a foreign book, perhaps written decades ago? They may not know the copyright holder's present address. Brief for American Library Associ-

ation 15 (many books lack indication of place of manufacture; "no practical way to learn where [a] book was printed"). And, even where addresses can be found, the costs of finding them, contacting owners, and negotiating may be high indeed. Are the libraries to stop circulating or distributing or displaying the millions of books in their collections that were printed abroad?

Used-book dealers tell us that, from the time when Benjamin Franklin and Thomas Jefferson built commercial and personal libraries of foreign books, American readers have bought used books published and printed abroad. Brief for Powell's Books Inc. et al. as *Amici Curiae* 7 (citing M. Stern, Antiquarian Bookselling in the United States (1985)). The dealers say that they have "operat[ed]...for centuries" under the assumption that the "first sale" doctrine applies. Brief for Powell's Books 7 But under a geographical interpretation a contemporary tourist who buys, say, at Shakespeare and Co. (in Paris), a dozen copies of a foreign book for American friends might find that she had violated the copyright law. The used-book dealers cannot easily predict what the foreign copyright holder may think about a reader's effort to sell a used copy of a novel. And they believe that a geographical interpretation will injure a large portion of the used-book business.

Technology companies tell us that "automobiles, microwaves, calculators, mobile phones, tablets, and personal computers" contain copyrightable software programs or packaging. Brief for Public Knowledge

et al. as *Amici Curiae* 10. *See also* Brief for Association of Service and Computer Dealers International, Inc., et al. as *Amici Curiae* 2. Many of these items are made abroad with the American copyright holder's permission and then sold and imported (with that permission) to the United States. Brief for Retail Litigation Center, Inc., et al. as *Amici Curiae* 4. A geographical interpretation would prevent the resale of, say, a car, without the permission of the holder of each copyright on each piece of copyrighted automobile software. Yet there is no reason to believe that foreign auto manufacturers regularly obtain this kind of permission from their software component suppliers, and Wiley did not indicate to the contrary when asked. *See* Tr. of Oral Arg. 29-30. Without that permission a foreign car owner could not sell his or her used car.

Retailers tell us that over $2.3 trillion worth of foreign goods were imported in 2011. Brief for Retail Litigation Center 8. American retailers buy many of these goods after a first sale abroad. *Id.*, at 12. And, many of these items bear, carry, or contain copyrighted "packaging, logos, labels, and product inserts and instructions for [the use of] everyday packaged goods from floor cleaners and health and beauty products to breakfast cereals." *Id.*, at 10-11. The retailers add that American sales of more traditional copyrighted works, "such as books, recorded music, motion pictures, and magazines" likely amount to over $220 billion. *Id.*, at 9. *See also id.*, at 10 (electronic game industry is $16 billion). A geographical interpretation would subject many, if not all, of them

to the disruptive impact of the threat of infringement suits. *Id.*, at 12.

Art museum directors ask us to consider their efforts to display foreign-produced works by, say, Cy Twombly, René Magritte, Henri Matisse, Pablo Picasso, and others. *See supra*, at 10 (describing how §104 often makes such works "subject to" American copyright protection). A geographical interpretation, they say, would require the museums to obtain permission from the copyright owners before they could display the work, *see supra*, at 15—even if the copyright owner has already sold or donated the work to a foreign museum. Brief for Association of Art Museum Directors et al. as *Amici Curiae* 10-11. What are the museums to do, they ask, if the artist retained the copyright, if the artist cannot be found, or if a group of heirs is arguing about who owns which copyright? *Id.*, at 14.

These examples, and others previously mentioned, help explain *why* Lord Coke considered the "first sale" doctrine necessary to protect "Trade and Traffi[c], and bargaining and contracting," and they help explain *why* American copyright law has long applied that doctrine. *Cf. supra*, at 17-18.

Neither Wiley nor any of its many *amici* deny that a geographical interpretation could bring about these "horribles"—at least in principle. Rather, Wiley essentially says that the list is artificially invented. Brief for Respondent 51-52. It points out that a federal court first adopted a geographical interpretation more than 30 years ago. *CBS, Inc. v. Scorpio Music Distributors, Inc.*, 569 F Supp. 47, 49

(ED Pa. 1983), summarily aff'd, 738 F. 2d 424 (CA3 1984) (table). Yet, it adds, these problems have not occurred. Why not? Because, says Wiley, the problems and threats are purely theoretical; they are unlikely to reflect reality. *See also post*, at 30-31.

We are less sanguine. For one thing, the law has not been settled for long in Wiley's favor. The Second Circuit, in its decision below, is the first Court of Appeals to adopt a purely geographical interpretation. The Third Circuit has favored a nongeographical interpretation. *Sebastian Int'l*, 847 F. 2d 1093. The Ninth Circuit has favored a modified geographical interpretation with a nongeographical (but textually unsustainable) corollary designed to diminish the problem. *Denbicare U. S. A.*, 84 F. 3d 1143. *See supra*, at 11-12. And other courts have hesitated to adopt, and have cast doubt upon, the validity of the geographical interpretation. *Pearson Educ., Inc. v. Liu*, 656 F. Supp. 2d 407 (SDNY 2009); *Red-Baron Franklin Park, Inc. v. Taito Corp.*, No. 88-0156-A, 1988 WL 167344, *3 (ED Va. 1988), rev'd on other grounds, 883 F. 2d 275 (CA4 1989).

For another thing, reliance upon the "first sale" doctrine is deeply embedded in the practices of those, such as booksellers, libraries, museums, and retailers, who have long relied upon its protection. Museums, for example, are not in the habit of asking their foreign counterparts to check with the heirs of copyright owners before sending, *e.g.*, a Picasso on tour. Brief for Association of Art Museum Directors 11-12. That inertia means a dramatic change is likely necessary before these institutions, instructed by their

counsel, would begin to engage in the complex permission-verifying process that a geographical interpretation would demand. And this Court's adoption of the geographical interpretation could provide that dramatic change. These intolerable consequences (along with the absurd result that the copyright owner can exercise downstream control even when it authorized the import or first sale) have understandably led the Ninth Circuit, the Solicitor General as *amicus*, and the dissent to adopt textual readings of the statute that attempt to mitigate these harms. Brief for United States 27-28; *post*, at 24-28. But those readings are not defensible, for they require too many unprecedented jumps over linguistic and other hurdles that in our view are insurmountable. *See, e.g., post*, at 26 (acknowledging that its reading of §106(3) "significantly curtails the independent effect of §109(a)").

Finally, the fact that harm has proved limited so far may simply reflect the reluctance of copyright holders so far to assert geographically based resale rights. They may decide differently if the law is clarified in their favor. Regardless, a copyright law that can work in practice only if unenforced is not a sound copyright law. It is a law that would create uncertainty, would bring about selective enforcement, and, if widely unenforced, would breed disrespect for copyright law itself.

Thus, we believe that the practical problems that petitioner and his *amici* have described are too serious, too extensive, and too likely to come about for us to dismiss them as insignificant—particularly in

light of the ever-growing importance of foreign trade to America. See The World Bank, Imports of goods and services (% of GDP) (imports in 2011 18% of U. S. gross domestic product compared to 11% in 1980), online at http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS? (as visited Mar. 15, 2013, and available in Clerk of Court's case file). The upshot is that copyright-related consequences along with language, context, and interpretive canons argue strongly against a geographical interpretation of §109(a).

III

Wiley and the dissent make several additional important arguments in favor of the geographical interpretation. *First*, they say that our *Quality King* decision strongly supports its geographical interpretation. In that case we asked whether the Act's "importation provision," now §602(a)(1) (then §602(a)), barred importation (without permission) of a copyrighted item (labels affixed to hair care products) where an American copyright owner authorized the first sale and export of hair care products with copyrighted labels made in the United States, and where a buyer sought to import them back into the United States without the copyright owner's permission. 523 U. S., at 138-139.

We held that the importation provision did *not* prohibit sending the products back into the United States (without the copyright owner's permission). That section says:

"Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States *is an infringement* of the exclusive right to distribute copies or phonorecords *under section 106*." 17 U. S. C. §602(a)(1) (2006 ed., Supp. V) (emphasis added). *See also* §602(a) (1994 ed.).

We pointed out that this section makes importation an infringement of the "exclusive right to distribute...*under 106*." We noted that §109(a)'s "first sale" doctrine limits the scope of the §106 exclusive distribution right. We took as given the fact that the products at issue had at least once been sold. And we held that consequently, importation of the copyrighted labels does not violate §602(a)(1). 523 U. S., at 145.

In reaching this conclusion we endorsed *Bobbs-Merrill* and its statement that the copyright laws were not "intended to create a right which would permit the holder of the copyright to fasten, by notice in a book...a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it." 210 U. S., at 349-350.

We also explained why we rejected the claim that our interpretation would make §602(a)(1) pointless. Those advancing that claim had pointed out that the 1976 Copyright Act amendments retained a prior anti-piracy provision, prohibiting the importation of *pirated* copies. *Quality King, supra*, at 146. Thus, they said, §602(a)(1) must prohibit the importation

of lawfully made copies, for to allow the importation of those lawfully made copies *after* a *first sale*, as *Quality King's* holding would do, would leave §602(a)(1) without much to prohibit. It would become superfluous, without any real work to do.

We do not believe that this argument is a strong one. Under *Quality King's* interpretation, §602(a)(1) would still forbid importing (without permission, and subject to the exceptions in §602(a)(3)) copies lawfully made abroad, for example, where (1) a foreign publisher operating as the licensee of an American publisher prints copies of a book overseas but, prior to any authorized sale, seeks to send them to the United States; (2) a foreign printer or other manufacturer (if not the "owner" for purposes of §109(a), *e.g.*, before an authorized sale) sought to send copyrighted goods to the United States; (3) "a book publisher transports copies to a wholesaler" and the wholesaler (not yet the owner) sends them to the United States, *see* Copyright Law Revision, pt. 4, at 211 (giving this example); or (4) a foreign film distributor, having leased films for distribution, or any other licensee, consignee, or bailee sought to send them to the United States. *See, e.g.*, 2 Nimmer on Copyright §8.12[B][1][a], at 8-159 ("Section 109(a) provides that the distribution right may be exercised solely with respect to the initial disposition of copies of a work, not to prevent or restrict the resale or other further transfer of possession of such copies"). These examples show that §602(a)(1) retains significance. We concede it has less significance than the dissent believes appropriate, but the dissent also adopts a construction of §106(3) that "significantly

curtails" §109(a)'s effect, *post*, at 26, and so limits the scope of that provision to a similar, or even greater, degree.

In *Quality King* we rejected the "superfluous" argument for similar reasons. But, when rejecting it, we said that, where an author gives exclusive American distribution rights to an American publisher and exclusive British distribution rights to a British publisher, "presumably *only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title'* within the meaning of §109(a)." 523 U. S., at 148 (emphasis added). Wiley now argues that this phrase in the *Quality King* opinion means that books published abroad (under license) must fall outside the words "lawfully made under this title" and that we have consequently already given those words the geographical interpretation that it favors.

We cannot, however, give the *Quality King* statement the legal weight for which Wiley argues. The language "lawfully made under this title" was not at issue in *Quality King*; the point before us now was not then fully argued; we did not canvas the considerations we have here set forth; we there said nothing to suggest that the example assumes a "first sale"; and we there hedged our statement with the word "presumably." Most importantly, the statement is pure dictum. It is dictum contained in a rebuttal to a counterargument. And it is *unnecessary* dictum even in that respect. Is the Court having once written dicta calling a tomato a vegetable bound to deny that it is a fruit forever after?

To the contrary, we have written that we are not necessarily bound by dicta should more complete argument demonstrate that the dicta is not correct. *Central Va. Community College v. Katz*, 546 U. S. 356, 363 (2006) ("[W]e are not bound to follow our dicta in a prior case in which the point now at issue was not fully debated"); *Humphrey's Executor v. United States*, 295 U. S. 602, 627-628 (1935) (rejecting, under *stare decisis*, dicta, "which may be followed if sufficiently persuasive but which are not controlling"). And, given the bit part that our *Quality King* statement played in our *Quality King* decision, we believe the view of *stare decisis* set forth in these opinions applies to the matter now before us.

*Second*, Wiley and the dissent argue (to those who consider legislative history) that the Act's legislative history supports their interpretation. But the historical events to which it points took place more than a decade before the enactment of the Act and, at best, are inconclusive.

During the 1960's, representatives of book, record, and film industries, meeting with the Register of Copyrights to discuss copyright revision, complained about the difficulty of dividing international markets. Copyright Law Revision Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 88th Cong., 1st Sess., pt. 2, p. 212 (Comm. Print 1963) (English editions of "particular" books "fin[d]" their "way into this country"); *id.*, at 213 (works "publi[shed] in a country where there is no copyright protection of any sort" are put into "the free stream of

commerce" and "shipped to the United States"); *ibid.* (similar concern in respect to films).

The then-Register of Copyrights, Abraham Kaminstein, found these examples "very troubl[ing]." *Ibid.* And the Copyright Office released a draft provision that it said "deals with the matter of the importation for distribution in the United States of foreign copies that were made under proper authority but that, if sold in the United States, would be sold in contravention of the rights of the copyright owner who holds the exclusive right to sell copies in the United States." *Id.*, pt. 4, at 203. That draft version, without reference to §106, simply forbids unauthorized imports. It said:

> "Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35 [17 U. S. C. §501]." *Id.*, Preliminary Draft for Revised U. S. Copyright Law and Discussions and Comments, 88th Cong., 2d Sess., pt. 3, pp. 32-33 (Comm. Print 1964).

In discussing the draft, some of those present expressed concern about its effect on the "first sale" doctrine. For example, Irwin Karp, representing the Authors League of America asked, "If a German jobber lawfully buys copies from a German publisher, are we not running into the problem of restricting his transfer of his lawfully obtained copies?" *Id.*, pt. 4, at 211. The Copyright Office representative re-

plied, "This could vary from one situation to another, I guess. I should guess, for example, that if a book publisher transports [*i.e.*, does not sell] copies to a wholesaler [*i.e., a nonowner*], this is not *yet* the kind of transaction that exhausts the right to control disposition." *Ibid.* (emphasis added).

The Office later withdrew the draft, replacing it with a draft, which, by explicitly referring to §106, was similar to the provision that became law, now §602(a)(1). The Office noted in a report that, under the new draft, importation of a copy (without permission) "would violate the exclusive rights of the U. S. copyright owner...where the copyright owner had authorized the making of copies in a foreign country for distribution only in that country." *Id.*, pt. 6, at 150.

Still, that part of the report says nothing about the "first sale" doctrine, about §109(a), or about the five words, "lawfully made under this title." And neither the report nor its accompanying 1960's draft answers the question before us here. *Cf. Quality King*, 523 U. S., at 145 (without those five words, the import clause, via its reference to §106, imports the "first sale" doctrine).

But to ascertain the best reading of *§109(a)*, rather than dissecting the remarks of industry representatives concerning §602 at congressional meetings held 10 years before the statute was enacted, *see post*, at 13-16, we would give greater weight to the congressional report accompanying §109(a), written a decade later when Congress passed the new law That report says:

> "Section 109(a) restates and confirms the principle that, where the *copyright* owner has transferred ownership of a particular copy or phonorecord of a work, the person to whom the copy or phonorecord is transferred is entitled to dispose of it by sale, rental, or any other means. Under this principle, which has been established by the court decisions and...the present law, the copyright owner's exclusive right of public distribution would have no effect upon anyone who owns 'a particular copy or phonorecord lawfully made under this title' and who wishes to transfer it to someone else or to destroy it.
>
> "To come within the scope of section 109(a), a copy or phonorecord must have been 'lawfully made under this title,' though not necessarily with the copyright owner's authorization. For example, any resale of an illegally 'pirated' phonorecord would be an infringement but the disposition of a phonorecord legally made under the compulsory licensing provisions of section 115 would not." H. R. Rep. No. 94-1476, at 79 (emphasis added).

Accord, S. Rep. No. 94-473, pp. 71-72 (1975).

This history reiterates the importance of the "first sale" doctrine. *See, e.g.*, Copyright Law Revision, 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., pt. 5, p. 66 (Comm. Print 1965) ("[F]ull ownership of a lawfully-made copy authorizes its owner to dispose of it freely"). It explains, as we have explained, the nongeographical purposes of

the words "lawfully made under this title." Part II–B, *supra*. And it says nothing about geography. Nor, importantly, did §109(a)'s predecessor provsion. *See supra*, at 12. This means that, contrary to the dissent's suggestion, any lack of legislative history pertaining to the "first sale" doctrine only tends to bolster our position that Congress' 1976 revision did not intend to create a drastic geographical change in its revision to that provision. *See post*, at 18, n. 13. We consequently believe that the legislative history, on balance, supports the nongeographical interpretation.

*Third*, Wiley and the dissent claim that a nongeographical interpretation will make it difficult, perhaps impossible, for publishers (and other copyright holders) to divide foreign and domestic markets. We concede that is so. A publisher may find it more difficult to charge different prices for the same book in different geographic markets. But we do not see how these facts help Wiley, for we can find no basic principle of copyright law that suggests that publishers are especially entitled to such rights.

The Constitution describes the nature of American copyright law by providing Congress with the power to "secur[e]" to "[a]uthors" "for limited [t]imes" the "*exclusive [r]ight to their...[w]ritings*." Art. I, §8, cl. 8. The Founders, too, discussed the need to grant an author a limited right to exclude competition. Compare Letter from Thomas Jefferson to James Madison (July 31, 1788), in 13 Papers of Thomas Jefferson 440, 442-443 (J. Boyd ed. 1956) (arguing against any monopoly) with Letter from James Madison to

Thomas Jefferson (Oct. 17, 1788), in 14 *id.*, at 16, 21 (J. Boyd ed. 1958) (arguing for a limited monopoly to secure production). But the Constitution's language nowhere suggests that its limited exclusive right should include a right to divide markets or a concomitant right to charge different purchasers different prices for the same book, say to increase or to maximize gain. Neither, to our knowledge, did any Founder make any such suggestion. We have found no precedent suggesting a legal preference for interpretations of copyright statutes that would provide for market divisions. *Cf.* Copyright Law Revision, pt. 2, at 194 (statement of Barbara Ringer, Copyright Office) (division of territorial markets was "primarily a matter of private contract").

To the contrary, Congress enacted a copyright law that (through the "first sale" doctrine) limits copyright holders' ability to divide domestic markets. And that limitation is consistent with antitrust laws that ordinarily forbid market divisions. *Cf. Palmer v. BRG of Ga., Inc.*, 498 U. S. 46, 49-50 (1990) (*per curiam*) ("[A]greements between competitors to allocate territories to minimize competition are illegal"). Whether copyright owners should, or should not, have more than ordinary commercial power to divide international markets is a matter for Congress to decide. We do no more here than try to determine what decision Congress has taken.

*Fourth*, the dissent and Wiley contend that our decision launches United States copyright law into an unprecedented regime of "international exhaustion." *Post*, at 18-23; Brief for Respondent 45-46.

But they point to nothing indicative of congressional intent in 1976. The dissent also claims that it is clear that the United States now opposes adopting such a regime, but the Solicitor General as *amicus* has taken no such position in this case. In fact, when pressed at oral argument, the Solicitor General stated that the consequences of Wiley's reading of the statute (perpetual downstream control) were "worse" than those of Kirtsaeng's reading (restriction of market segmentation). Tr. of Oral Arg. 51. And the dissent's reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with our reading of §109(a). Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1996, No. 1470, p. 30 ("When..Congress wishes to make the location of manufacture relevant to Copyright Act protection, it does so expressly"); *ibid.* (calling it "distinctly unlikely" that Congress would have provided an incentive for overseas manufacturing).

Moreover, the exhaustion regime the dissent apparently favors would provide that "the sale in one country of a good" does not "exhaus[t] the intellectual-property owner's right to control the distribution of that good elsewhere." *Post*, at 18-19. But our holding in *Quality King* that §109(a) is a defense in U. S. courts even when "the first sale occurred abroad," 523 U. S., at 145, n. 14, has already significantly eroded such a principle.

IV

For these reasons we conclude that the considerations supporting Kirtsaeng's nongeographical inter-

pretation of the words "lawfully made under this title" are the more persuasive. The judgment of the Court of Appeals is reversed, and the case is remanded for further proceedings consistent with this opinion.

*It is so ordered.*

**SUPREME COURT OF THE UNITED STATES**

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER *v.* JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[March 19, 2013]

JUSTICE KAGAN, with whom JUSTICE ALITO joins, concurring.

I concur fully in the Court's opinion. Neither the text nor the history of 17 U. S. C. §109(a) supports removing first-sale protection from every copy of a protected work manufactured abroad. *See ante*, at 8-16, 28-31. I recognize, however, that the combination of today's decision and *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135 (1998), constricts the scope of §602(a)(1)'s ban on unauthorized importation. I write to suggest that any problems associated with that limitation come not from our reading of §109(a) here, but from *Quality King*'s holding that §109(a) limits §602(a)(1).

As the Court explains, the first-sale doctrine has played an integral part in American copyright law for over a century. *See ante*, at 17-19; *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339 (1908). No codification of the doctrine prior to 1976 even arguably limited its application to copies made in the United States.

*See ante*, at 12. And nothing in the text or history of §109(a) –the Copyright Act of 1976's first-sale provision—suggests that Congress meant to enact the new, geographical restriction John Wiley proposes, which at once would deprive American consumers of important rights and encourage copyright holders to manufacture abroad. *See ante*, at 8-16, 28-31.

That said, John Wiley is right that the Court's decision, when combined with *Quality King*, substantially narrows §602(a)(1)'s ban on unauthorized importation. *Quality King* held that the importation ban does not reach any copies receiving first-sale protection under §109(a). *See* 523 U. S., at 151-152. So notwithstanding §602(a)(1), an "owner of a particular copy...lawfully made under this title" can import that copy without the copyright owner's permission. §109(a). In now holding that copies "lawfully made under this title" include copies manufactured abroad, we unavoidably diminish §602(a)(1)'s scope—indeed, limit it to a fairly esoteric set of applications. *See ante*, at 26-27.

But if Congress views the shrinking of §602(a)(1) as a problem, it should recognize *Quality King*—not our decision today—as the culprit. Here, after all, we merely construe §109(a); *Quality King* is the decision holding that §109(a) limits §602(a)(1). Had we come out the opposite way in that case, §602(a)(1) would allow a copyright owner to restrict the importation of copies irrespective of the first-sale doctrine.[1] That result would enable the copyright owner

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[1] Although *Quality King* concluded that the statute's text foreclosed that outcome, *see* 523 U. S., at 151-152, the Solicitor

to divide international markets in the way John Wiley claims Congress intended when enacting §602(a)(1). But it would do so without imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad. In other words, that outcome would target unauthorized importers alone, and not the "libraries, used-book dealers, technology companies, consumer-goods retailers, and museums" with whom the Court today is rightly concerned. *Ante*, at 19. Assuming Congress adopted §602(a)(1) to permit market segmentation, I suspect that is how Congress thought the provision would work—not by removing first-sale protection from every copy manufactured abroad (as John Wiley urges us to do here), but by enabling the copyright holder to control imports even when the first-sale doctrine applies (as *Quality King* now prevents).[2]

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General offered a cogent argument to the contrary. He reasoned that §109(a) does not limit §602(a)(1) because the former authorizes owners only to "sell" or "dispose" of copies—not to import them: The Act's first-sale provision and its importation ban thus regulate separate, non-overlapping spheres of conduct. *See* Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1996, No. 96-1470, pp. 5, 8-10. That reading remains the Government's preferred way of construing the statute. *See* Tr. of Oral Arg. 44 ("[W]e think that we still would adhere to our view that section 109(a) should not be read as a limitation on section 602(a)(1)"); *see also ante*, at 32-33; *post*, at 21, n. 15 (GINSBURG, J., dissenting).

[2] Indeed, allowing the copyright owner to restrict imports irrespective of the first-sale doctrine—*i.e.*, reversing *Quality King*—would yield afar more sensible scheme of market segmentation than would adopting John Wiley's argument here.

At bottom, John Wiley (together with the dissent) asks us to misconstrue §109(a) in order to restore §602(a)(1) to its purportedly rightful function of enabling copyright holders to segment international markets. I think John Wiley may have a point about what §602(a)(1) was designed to do; that gives me pause about *Quality King*'s holding that the first-sale doctrine limits the importation ban's scope. But the Court today correctly declines the invitation to save §602(a)(1) from *Quality King* by destroying the first-sale protection that §109(a) gives to every owner of a copy manufactured abroad. That would swap one (possible) mistake for a much worse one, and make our reading of the statute only less reflective of Congressional intent. If Congress thinks copyright owners need greater power to restrict importation and thus divide markets, a ready solution is at hand—not the one John Wiley offers in this case, but the one the Court rejected in *Quality King*.

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That is because only the former approach turns on the *intended market* for copies; the latter rests instead on their *place of manufacture*. To see the difference, imagine that John Wiley prints all its textbooks in New York, but wants to distribute certain versions only in Thailand. Without *Quality King*, John Wiley could do so—*i.e.*, produce books in New York, ship them to Thailand, and prevent anyone from importing them back into the United States. But with *Quality King*, that course is not open to John Wiley even under its reading of §109(a): To prevent someone like Kirtsaeng from reimporting the books—and so to segment the Thai market—John Wiley would have to move its printing facilities abroad. I can see no reason why Congress would have conditioned a copyright owner's power to divide markets on outsourcing its manufacturing to a foreign country.

# SUPREME COURT OF THE UNITED STATES

No. 11-697

SUPAP KIRTSAENG, DBA BLUECHRISTINE99, PETITIONER v. JOHN WILEY & SONS, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

[March 19, 2013]

JUSTICE GINSBURG, with whom JUSTICE KENNEDY joins, and with whom JUSTICE SCALIA joins except as to Parts III and V-B-1, dissenting.

"In the interpretation of statutes, the function of the courts is easily stated. It is to construe the language so as to give effect to the intent of Congress." *United States v. American Trucking Assns., Inc.*, 310 U. S. 534, 542 (1940). Instead of adhering to the Legislature's design, the Court today adopts an interpretation of the Copyright Act at odds with Congress' aim to protect copyright owners against the unauthorized importation of low-priced, foreign-made copies of their copyrighted works. The Court's bold departure from Congress' design is all the more stunning, for it places the United States at the vanguard of the movement for "international exhaustion" of copyrights—a movement the United States has steadfastly resisted on the world stage.

To justify a holding that shrinks to insignificance copyright protection against the unauthorized im-

portation of foreign-made copies, the Court identifies several "practical problems." *Ante*, at 24. The Court's parade of horribles, however, is largely imaginary. Congress' objective in enacting 17 U. S. C. §602(a)(1)'s importation prohibition can be honored without generating the absurd consequences hypothesized in the Court's opinion. I dissent from the Court's embrace of "international exhaustion," and would affirm the sound judgment of the Court of Appeals.

I

Because economic conditions and demand for particular goods vary across the globe, copyright owners have a financial incentive to charge different prices for copies of their works in different geographic regions. Their ability to engage in such price discrimination, however, is undermined if arbitrageurs are permitted to import copies from low-price regions and sell them in high-price regions. The question in this case is whether the unauthorized importation of foreign-made copies constitutes copyright infringement under U. S. law.

To answer this question, one must examine three provisions of Title 17 of the U. S. Code: §§106(3), 109(a), and 602(a)(1). Section 106 sets forth the "exclusive rights" of a copyright owner, including the right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." §106(3). This distribution right is limited by §109(a), which provides: "Notwithstanding the provisions of section 106(3), the owner of a particular copy or

phonorecord lawfully made under this title...is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." Section 109(a) codifies the "first sale doc-trine," a doctrine articulated in *Bobbs-Merrill Co. v. Straus*, 210 U. S. 339, 349-351 (1908), which held that a copyright owner could not control the price at which retailers sold lawfully purchased copies of its work. The first sale doctrine recognizes that a copyright owner should not be permitted to exercise perpetual control over the distribution of copies of a copyrighted work. At some point—ordinarily the time of the first commercial sale—the copyright owner's exclusive right under §106(3) to control the distribution of a particular copy is exhausted, and from that point forward, the copy can be resold or otherwise redistributed without the copyright owner's authorization.

Section 602(a)(1) (2006 ed., Supp. V)[1]—last, but most critical, of the three copyright provisions bearing on this case—is an importation ban. It reads:

> "Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute cop-

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[1] In 2008, Congress renumbered what was previously §602(a) as §602(a)(1). *See* Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PROIPA), §105(b)(2), 122 Stat. 4259. Like the Court, I refer to the provision by its current numbering.

ies or phonorecords under section 106, actionable under section 501."

In *Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135, 143-154 (1998), the Court held that a copyright owner's right to control importation under §602(a)(1) is a component of the distribution right set forth in §106(3) and is therefore subject to §109(a)'s codification of the first sale doctrine. *Quality King* thus held that the importation of copies *made in the United States* but sold abroad did not rank as copyright infringement under §602(a)(1). *Id.*, at 143-154. *See also id.*, at 154 (GINSBURG, J., concurring) (*Quality King* "involve[d] a 'round trip' journey, travel of the copies in question from the United States to places abroad, then back again").[2]

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[2] Although JUSTICE KAGAN's concurrence suggests that *Quality King* erred in "holding that §109(a) limits §602(a)(1)," *ante*, at 2, that recent, unanimous holding must be taken as a given. *See John R. Sand & Gravel Co. v. United States*, 552 U. S. 130, 139 (2008) ("*[S]tare decisis* in respect to statutory interpretation has 'special force,' for 'Congress remains free to alter what we have done.'" (quoting *Patterson v. McLean Credit Union*, 491 U. S. 164, 172–173 (1989))). The Court's objective in this case should be to avoid unduly "constrict[ing] the scope of §602(a)(1)'s ban on unauthorized importation," *ante*, at 1 (opinion of KAGAN, J.), while at the same time remaining faithful to *Quality King*'s holding and to the text and history of other Copyright Act provisions. This aim is not difficult to achieve. See Parts II-V, *infra*. JUSTICE KAGAN and I appear to agree to this extent: Congress meant the ban on unauthorized importation to have real force. *See ante*, at 3 (acknowledging that "Wiley may have a point about what §602(a)(1) was designed to do").

Important to the Court's holding, the copies at issue in *Quality King* had been "'lawfully made under [Title 17]'"—a prerequisite for application of §109(a). *Id.*, at 143, n. 9 (quoting §109(a)). Section 602(a)(1), the Court noted, would apply to "copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country" *Id.*, at 147. Drawing on an example discussed during a 1964 public meeting on proposed revisions to the U. S. copyright laws,[3] the Court stated:

> "If the author of [a] work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition,...presumably only those [copies] made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of §109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under §602(a) (or, for that matter, to an action under §106(3), if there was a distribution of the copies)." *Id.*, at 148.

As the District Court and the Court of Appeals concluded, *see* 654 F 3d 210, 221-222 (CA2 2011);

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[3] *See Quality King Distributors, Inc. v. L'anza Research Int'l, Inc.*, 523 U. S. 135, 148, n. 20 (1998) (quoting Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (hereinafter Copyright Law Revision Part 4) (statement of Harriet Pilpel)).

App. to Pet. for Cert. 70a-73a, application of the *Quality King* analysis to the facts of this case would preclude any invocation of §109(a). Petitioner Supap Kirtsaeng imported and then sold at a profit over 600 copies of copyrighted textbooks printed outside the United States by the Asian subsidiary of respondent John Wiley & Sons, Inc. (Wiley). App. 29-34. *See also ante*, at 3-5 (opinion of the Court). In the words the Court used in *Quality King*, these copies "were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." 523 U. S., at 147 Section 109(a) therefore does not apply, and Kirtsaeng's unauthorized importation constitutes copyright infringement under §602(a)(1).

The Court does not deny that under the language I have quoted from *Quality King*, Wiley would prevail. *Ante*, at 27. Nevertheless, the Court dismisses this language, to which all Members of the *Quality King* Court subscribed, as ill-considered dictum. *Ante*, at 27-28. I agree that the discussion was dictum in the sense that it was not essential to the Court's judgment. *See Quality King*, 523 U. S., at 154 (GINSBURG, J., concurring) ("[W]e do not today resolve cases in which the allegedly infringing imports were manufactured abroad."). But I disagree with the Court's conclusion that this dictum was ill considered. Instead, for the reasons explained below, I would hold, consistently with *Quality King*'s dictum, that §602(a)(1) authorizes a copyright owner to bar the importation of a copy manufactured abroad for sale abroad.

## II

The text of the Copyright Act demonstrates that Congress intended to provide copyright owners with a potent remedy against the importation of foreign-made copies of their copyrighted works. As the Court recognizes, *ante*, at 3, this case turns on the meaning of the phrase "lawfully made under this title" in §109(a). In my view, that phrase is most sensibly read as referring to instances in which a copy's creation is governed by. and conducted in compliance with, Title 17 of the U. S. Code. This reading is consistent with the Court's interpretation of similar language in other statutes. *See Florida Dept. of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U. S. 33, 52-53 (2008) ("under" in 11 U. S. C. §1146(a), a Bankruptcy Code provision exempting certain asset transfers from stamp taxes, means "pursuant to"); *Ardestani v. INS*, 502 U. S. 129, 135 (1991) (the phrase "under section 554" in the Equal Access to Justice Act means "subject to" or "governed by" 5 U. S. C. §554 (internal quotation marks omitted)). It also accords with dictionary definitions of the word "under." *See, e.g.*, American Heritage Dictionary 1887 (5th ed. 2011) ("under" means, among other things, "[s]ubject to the authority, rule, or control of").

Section 109(a), properly read, affords Kirtsaeng no defense against Wiley's claim of copyright infringement. The Copyright Act, it has been observed time and again, does not apply extraterritorially. *See United Dictionary Co. v. G. & C. Merriam Co.*, 208 U. S. 260, 264 (1908) (copyright statute requiring that U. S. copyright notices be placed in all copies of

a work did not apply to copies published abroad because U. S. copyright laws have no "force" beyond the United States' borders); 4 M. Nimmer & D. Nimmer, Copyright §17.02, p. 17-18 (2012) (hereinafter Nimmer) ("[C]opyright laws do not have any extraterritorial operation."); 4 W Patry, Copyright §13:22, p. 13-66 (2012) (hereinafter Patry) ("Copyright laws are rigorously territorial.") The printing of Wiley's foreign-manufactured textbooks therefore was not governed by Title 17 The textbooks thus were not "lawfully made under [Title 17]," the crucial precondition for application of §109(a). And if §109(a) does not apply, there is no dispute that Kirtsaeng's conduct constituted copyright infringement under §602(a)(1).

The Court's point of departure is similar to mine. Ac-cording to the Court, the phrase "'lawfully made under this title' means made 'in accordance with' or 'in compliance with' the Copyright Act." *Ante*, at 8. But the Court overlooks that, according to the very dictionaries it cites, *ante*, at 9, the word "under" commonly signals a relationship of subjection, where one thing is governed or regulated by another. *See* Black's Law Dictionary 1525 (6th ed. 1990) ("under" "frequently" means "inferior" or "subordinate" (internal quotation marks omitted)); 18 Oxford English Dictionary 950 (2d ed. 1989) ("under" means, among other things, "[i]n accordance with *(some regulative power or principle)*" (emphasis added)). *See also* Webster's Third New International Dictionary 2487 (1961) ("under" means, among other things, "in...a condition of subjection, regulation, or subordination" and "suffering restriction, restraint, or control by").

Only by disregarding this established meaning of "under" can the Court arrive at the conclusion that Wiley's foreign-manufactured text-books were "lawfully made under" U. S. copyright law, even though that law did not govern their creation. It is anomalous, however, to speak of particular conduct as "lawful" under an inapplicable law. For example, one might say that driving on the right side of the road in England is "lawful" under U. S. law, but that would be so only because U. S. law has nothing to say about the subject. The governing law is English law, and English law demands that driving be done on the left side of the road.[4]

The logical implication of the Court's definition of the word "under" is that *any* copy manufactured abroad—even a piratical one made without the copyright owner's authorization and in violation of the law of the country where it was created—would fall within the scope of §109(a). Any such copy would have been made "in accordance with" or "in compliance with" the U. S. Copyright Act, in the sense that

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[4] The Court asserts that my position gives the word "lawfully" in §109(a) "little, if any, linguistic work to do." *Ante*, at 9. That is not so. My reading gives meaning to each word in the phrase "lawfully made under this title." The word "made" signifies that the conduct at issue is the creation or manufacture of a copy. *See* Webster's Third New International Dictionary 1356 (1961) (defining "made" as "artificially produced by a manufacturing process"). The word "lawfully" indicates that for §109(a) to apply, the copy's creation must have complied with some body of law. Finally, the prepositional phrase "under this title" clarifies what that body of law is—namely, the copyright prescriptions contained in Title 17 of the U. S. Code.

manufacturing the copy did not violate the Act (because the Act does not apply extraterritorially).

The Court rightly refuses to accept such an absurd conclusion. Instead, it interprets §109(a) as applying only to copies whose making actually complied with Title 17, or would have complied with Title 17 had Title 17 been applicable (*i.e.*, had the copies been made in the United States). *See ante*, at 8 ("§109(a)'s 'first sale' doctrine would apply to copyrighted works as long as their manufacture met the requirements of American copyright law."). Congress, however, used express language when it called for such a counterfactual inquiry in 17 U. S. C. §§602(a)(2) and (b). *See* §602(a)(2) ("Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or *which would have constituted an infringement of copyright if this title had been applicable*, is an infringement of the exclusive right to distribute copies or phonorecords under section 106." (emphasis added)); §602(b) ("In a case where the making of the copies or phonorecords *would have constituted an infringement of copyright if this title had been applicable*, their importation is prohibited." (emphasis added)). Had Congress intended courts to engage in a similarly hypothetical inquiry under §109(a), Congress would presumably have included similar language in that section. *See Russello v. United States*, 464 U. S. 16, 23 (1983) ("'[W]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is gen-

erally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.'" (quoting *United States v. Wong Kim Bo*, 472 F 2d 720, 722 (CA5 1972) (*per curiam*); brackets in original)).[5]

Not only does the Court adopt an unnatural construction of the §109(a) phrase "lawfully made under

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[5] Attempting to show that my reading of §109(a) is susceptible to the same criticism, the Court points to the now-repealed "manufacturing clause," which required "copies of a work consisting preponderantly of nondramatic literary material...in the English language" to be "manufactured in the United States or Canada." Copyright Act of 1976, §601(a), 90 Stat. 2588. Because Congress expressly referred to manufacturing in this provision, the Court contends, the phrase "lawfully made under this title" in §109(a) cannot mean "manufactured in the United States." *Ante*, at 19. This argument is a non sequitur. I do *not* contend that the phrases "lawfully made under this title" and "manufactured in the United States" are interchangeable. To repeat, I read the phrase "lawfully made under this title" as referring to instances in which a copy's creation is governed by, and conducted in compliance with, Title 17 of the U. S. Code. *See supra*, at 6. Not all copies "manufactured in the United States" will satisfy this standard. For example, piratical copies manufactured in the United States without the copyright owner's authorization are not "lawfully made under [Title 17]." Nor would the phrase "lawfully manufactured in the United States" be an exact substitute for "lawfully made under this title." The making of a copy may be lawful under Title 17 yet still violate some other provision of law. Consider, for example, a copy made with the copyright owner's authorization by workers who are paid less than minimum wage. The copy would be "lawfully made under [Title 17]" in the sense that its creation would not violate any provision of that title, but the copy's manufacturing would nonetheless be unlawful due to the violation of the minimum-wage laws.

this title." Concomitantly, the Court reduces §602(a)(1) to insignificance. As the Court appears to acknowledge, *see ante*, at 26, the only independent effect §602(a)(1) has under to-day's decision is to prohibit unauthorized importations carried out by persons who merely have possession of, but do not own, the imported copies. *See* 17 U. S. C. §109(a) (§109(a) applies to any "*owner* of a particular copy or phonorecord lawfully made under this title" (emphasis added)).[6] If this is enough to avoid rendering §602(a)(1) entirely "superfluous," *ante*, at 26, it hardly suffices to give the owner's importation right the scope Congress intended it to have. Congress used broad language in §602(a)(1); it did so to achieve a broad objective. Had Congress intended simply to provide a copyright remedy against larcenous lessees, licensees, consignees, and bailees of films and other copyright-protected goods, *see ante*, at 13-14, 26, it likely would have used language tailored to that narrow purpose. *See* 2 Nimmer §8.12[B][6][c], at 8-184.31, n. 432 ("It may be wondered wheth-

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[6] When §602(a)(1) was originally enacted in 1976, it played an additional role—providing a private cause of action against importers of piratical goods. *See Quality King*, 523 U. S., at 146. In 2008, however, Congress amended §602 to provide for such a cause of action in §602(a)(2), which prohibits the unauthorized "[i]mportation into the United States...of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if [Title 17] had been applicable." *See* PROIPA, §105(b)(3), 122 Stat. 4259–4260. Thus, under the Court's interpretation, the only conduct reached by §602(a)(1) but not §602(a)(2) is a nonowner' s unauthorized importation of a nonpiratical copy.

er...potential causes of action [against licensees and the like] are more than theoretical."). *See also ante*, at 2 (KAGAN, J., concurring) (the Court's decision limits §602(a)(1) "to a fairly esoteric set of applications").[7]

The Court's decision also overwhelms 17 U. S. C. §602(a)(3)'s exceptions to §602(a)(1)'s importation prohibition. 2 P Goldstein, Copyright §7.6.1.2(a), p. 7:141 (3d ed. 2012) (hereinafter Goldstein).[8] Those

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[7] Notably, the Court ignores the history of §602(a)(1), which reveals that the primary purpose of the prescription was not to provide a remedy against rogue licensees, consignees, and bailees, against whom copyright owners could frequently assert breach-of-contract claims even in the absence of §602(a)(1). Instead, the primary purpose of §602(a)(1) was to reach third-party importers, enterprising actors like Kirtsaeng, against whom copyright owners could not assert contract claims due to lack of privity. *See* Part III, *infra*.

[8] Section 602(a)(3) provides:
"This subsection [*i.e.*, §602(a)] does not apply to—

"(A) importation or exportation of copies or phonorecords under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies or phonorecords for use in schools, or copies of any audiovisual work imported for purposes other than archival use;

"(B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy or phonorecord of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies or phonorecords forming part of such person's personal baggage; or

"(C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain, with respect to no more than one copy of an audiovisual

exceptions permit the importation of copies without the copyright owner's authorization for certain governmental, personal, scholarly, educational, and religious purposes. 17 U. S. C. §602(a)(3). Copies imported under these exceptions "will often be lawfully made gray market goods purchased through normal market channels abroad." 2 Goldstein §7.6.1.2(a), at 7:141.[9] But if, as the Court holds, such copies can in any event be imported by virtue of §109(a), §602(a)(3)'s work has already been done. For example, had Congress conceived of §109(a)'s sweep as the Court does, what earthly reason would there be to provide, as Congress did in §602(a)(3)(C), that a library may import "no more than five copies" of a non-audiovisual work for its "lending or archival purposes"?

The far more plausible reading of §§109(a) and 602(a), then, is that Congress intended §109(a) to apply to copies made in the United States, not to copies manufactured and sold abroad. That reading

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work solely for its archival purposes, and no more than five copies or phonorecords of any other work for its library lending or archival purposes, unless the importation of such copies or phonorecords is part of an activity consisting of systematic reproduction or distribution, engaged in by such organization in violation of the provisions of section 108(g)(2)."

[9] The term "gray market good" refers to a good that is "imported outside the distribution channels that have been contractually negotiated by the intellectual property owner." Forsyth & Rothnie, Parallel Imports, in The Interface Between Intellectual Property Rights and Competition Policy 429 (S. Anderman ed. 2007). Such goods are also commonly called "parallel imports." *Ibid.*

of the first sale and importation provisions leaves §602(a)(3)'s exceptions with real, meaningful work to do. *See TRW Inc. v. Andrews*, 534 U. S. 19, 31 (2001) ("It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant." (internal quotation marks omitted)). In the range of circumstances covered by the exceptions, §602(a)(3) frees individuals and entities who purchase foreign-made copies abroad from the requirement they would otherwise face under §602(a)(1) of obtaining the copyright owner's permission to import the copies into the United States.[10]

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[10] The Court asserts that its reading of §109(a) is bolstered by §104, which extends the copyright "protection[s]" of Title 17 to a wide variety of foreign works. *See ante*, at 10-11. The "protection under this title" afforded by §104, however, is merely protection against infringing conduct within the United States, the only place where Title 17 applies. *See* 4 W. Patry, Copyright §13:44.10, pp. 13-128 to 13-129 (2012) (hereinafter Patry). Thus, my reading of the phrase "under this title" in §109(a) is consistent with Congress' use of that phrase in §104. Furthermore, §104 describes which *works* are entitled to copyright protection under U. S. law. But no one disputes that Wiley's copyrights in the works at issue in this case are valid. The only question is whether Kirtsaeng's importation of *copies* of those works infringed Wiley's copyrights. It is basic to copyright law that "[o]wnership of a copyright...is distinct from ownership of any material object in which the work is embodied." 17 U. S. C. §202. *See also* §101 ("'Copies' are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device."). Given the distinction copyright law draws between works and copies, §104 is inappo-

III

The history of §602(a)(1) reinforces the conclusion I draw from the text of the relevant provisions: §109(a) does not apply to copies manufactured abroad. Section 602(a)(1) was enacted as part of the Copyright Act of 1976, 90 Stat. 2589-2590. That Act was the product of a lengthy revision effort overseen by the U. S. Copyright Office. *See Mills Music, Inc. v. Snyder*, 469 U. S. 153, 159-160 (1985). In its initial 1961 report on recommended revisions, the Copyright Office noted that publishers had "suggested that the [then-existing] import ban on piratical copies should be extended to bar the importation of...foreign edition[s]" in violation of "agreements to divide international markets for copyrighted works." Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess., 126 (H. R. Judiciary Comm. Print 1961) (hereinafter Copyright Law Revision). *See* Copyright Act of 1947, §106, 61 Stat. 663 ("The importation into the United States...of any piratical copies of any work copyrighted in the United States...is prohibited."). The Copyright Office originally recommended against such an extension of the importation ban, reasoning that enforcement of

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site to the question here presented. 4 Patry §13:44.10, at 13-129 ("There is no connection, linguistically or substantively, between Section[s] 104 and 109: Section 104 deals with national eligibility for the *intangible* work of authorship; Section 109(a) deals with the *tangible*, physical embodiment of the work, the 'copy.'").

territorial restrictions was best left to contract law. Copyright Law Revision 126.

Publishing-industry representatives argued strenuously against the position initially taken by the Copyright Office. At a 1962 panel discussion on the Copyright Office's report, for example, Horace Manges of the American Book Publishers Council stated:

> "When a U. S. book publisher enters into a contract with a British publisher to acquire exclusive U. S. rights for a particular book, he often finds that the English edition of that particular book finds its way into this country. Now it's all right to say, 'Commence a lawsuit for breach of contract.' But this is expensive, burdensome, and, for the most part, ineffective." Copyright Law Revision Part 2: Discussion and Comments on Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 88th Cong., 1st Sess., 212 (H. R. Judiciary Comm. Print 1963).

Sidney Diamond, representing London Records, elaborated on Manges' statement. "There are many situations," he explained, "in which it is not necessarily a question of the inadequacy of a contract remedy—in the sense that it may be difficult or not quick enough to solve the particular problem." *Id.*, at 213. "Very frequently," Diamond stated, publishers "run into a situation where...copies of [a] work...produced in a foreign country...may be shipped [to the United States] without violating any contract of the U. S. copyright proprietor." *Ibid.* To illustrate, Diamond noted, if a "British publisher

[sells a copy] to an individual who in turn ship[s] it over" to the United States, the individual's conduct would not "violate [any] contract between the British and the American publisher." *Ibid.* In such a case, "no possibility of any contract remedy" would exist. *Ibid.* The facts of Kirtsaeng's case fit Diamond's example, save that the copies at issue here were printed and initially sold in Asia rather than Great Britain.

After considering comments on its 1961 report, the Copyright Office "prepared a preliminary draft of provisions for a new copyright statute." Copyright Law Revision Part 3: Preliminary Draft for Revised U. S. Copyright Law and Discussions and Comments on the Draft, 88th Cong., 2d Sess., V (H. R. Judiciary Comm. Print 1964). Section 44 of the draft statute addressed the concerns raised by publishing-industry representatives. In particular, §44(a) provided:

> "Importation into the United States of copies or records of a work for the purpose of distribution to the public shall, if such articles are imported without the authority of the owner of the exclusive right to distribute copies or records under this title, constitute an infringement of copyright actionable under section 35 [*i.e.*, the section providing for a private cause of action for copyright infringement]." *Id.*, at 32-33.

In a 1964 panel discussion regarding the draft statute, Abe Goldman, the Copyright Office's General Counsel, left no doubt about the meaning of §44(a). It represented, he explained, a "shif[t]" from

the Copyright Office's 1961 report, which had recommended against using copyright law to facilitate publishers' efforts to segment international markets. Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U. S. Copyright Law, 88th Cong., 2d Sess., 203 (H. R. Judiciary Comm. Print 1964). Section 44(a), Goldman stated, would allow copyright owners to bring infringement actions against importers of "foreign copies that were made under proper authority." *Ibid.* *See also id.*, at 205-206 (Goldman agreed with a speaker's comment that §44(a) "enlarge[d]" U. S. copyright law by extending import prohibitions "to works legally produced in Europe" and other foreign countries).[11]

The next step in the copyright revision process was the introduction in Congress of a draft bill on July 20, 1964. *See* Copyright Law Revision Part 5: 1964 Revision Bill with Discussions and Comments, 89th Cong., 1st Sess., III (H. R. Judiciary Comm. Print 1965). After another round of public comments, a revised bill was introduced on February 4,

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[11] As the Court observes, *ante*, at 29, Irwin Karp of the Authors League of America stated at the 1964 panel discussion that §44(a) ran counter to "the very basic concept of copyright law that, once you've sold a copy legally, you can't restrict its resale." Copyright Law Revision Part 4, at 212. When asked if he was "presenting...an argument against" §44(a), however, Karp responded that he was "neutral on th[e] provision." *Id.*, at 211. There is thus little reason to believe that any changes to the wording of §44(a) before its codification in §602(a) were made in response to Karp's discussion of "the problem of restricting [the] transfer of...lawfully obtained [foreign] copies." *Ibid.*

1965. *See* Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., V (H. R. Judiciary Comm. Print 1965) (hereinafter Copyright Law Revision Part 6). In language closely resembling the statutory text later enacted by Congress, §602(a) of the 1965 bill provided:

> "Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work for the purpose of distribution to the public is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501." *Id.*, at 292.[12]

The Court implies that the 1965 bill's "explici[t] refer[ence] to §106" showed a marked departure from §44(a) of the Copyright Office's prior draft. *Ante*, at 29. The Copyright Office, however, did not see it that way. In its summary of the 1965 bill's provisions, the Copyright Office observed that

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[12] There is but one difference between this language from the 1965 bill and the corresponding language in the current version of §602(a)(1): In the current version, the phrase "for the purpose of distribution to the public" is omitted and the phrase "that have been acquired outside the United States" appears in its stead. There are no material differences between the quoted language from the 1965 bill and the corresponding language contained in the 1964 bill. *See* Copyright Law Revision Part 6: Supplementary Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess., 292-293 (H. R. Judiciary Comm. Print 1965).

§602(a) of the 1965 bill, like §44(a) of the Copyright Office's prior draft, *see supra*, at 15-16, permitted copyright owners to bring infringement actions against unauthorized importers in cases "where the copyright owner had authorized the making of [the imported] copies in a foreign country for distribution only in that country." Copyright Law Revision Part 6, at 149-150. *See also id.*, at XXVI (Under §602(a) of the 1965 bill, "[a]n unauthorized importer could be enjoined and sued for damages both where the copies or phonorecords he was importing were 'piratical' (that is, where their making would have constituted an infringement if the U. S. copyright law could have been applied), and where their making was 'lawful.'").

The current text of §602(a)(1) was finally enacted into law in 1976. *See* Copyright Act of 1976, §602(a), 90 Stat. 2589-2590. The House and Senate Committee Reports on the 1976 Act demonstrate that Congress understood, as did the Copyright Office, just what that text meant. Both Reports state:

> "Section 602 [deals] with two separate situations: importation of 'piratical' articles (that is, copies or phonorecords made without any authorization of the copyright owner), and unauthorized importation of copies or phonorecords that were lawfully made. *The general approach of section 602 is to make unauthorized importation an act of infringement in both cases*, but to permit the Bureau of Customs to prohibit importation only of 'piratical' articles." S. Rep. No. 94-473, p. 151

(1975) (emphasis added). *See also* H. R. Rep. No. 94-1476, p. 169 (1976) (same).

In sum, the legislative history of the Copyright Act of 1976 is hardly "inconclusive." *Ante*, at 28. To the contrary, it confirms what the plain text of the Act conveys: Congress intended §602(a)(1) to provide copyright owners with a remedy against the unauthorized importation of foreign-made copies of their works, even if those copies were made and sold abroad with the copyright owner's authorization.[13]

IV

Unlike the Court's holding, my position is consistent with the stance the United States has taken in international-trade negotiations. This case bears on the highly contentious trade issue of interterritorial exhaustion. The issue arises because intellectual property law is territorial in nature, *see supra*, at 6, which means that creators of intellectual property "may hold a set of parallel" intellectual property rights under the laws of different nations. Chiappetta, The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things, 21 Mich. J. Int'l L. 333, 340-341 (2000) (hereinafter Chiappetta). There is no international consensus on whether the sale in one country

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[13] The Court purports to find support for its position in the House and Senate Committee Reports on the 1976 Copyright Act. *Ante*, at 30-31. It fails to come up with anything in the Act's legislative history, however, showing that Congress understood the words "lawfully made under this title" in §109(a) to encompass foreign-made copies.

of a good incorporating protected intellectual property exhausts the intellectual property owner's right to control the distribution of that good elsewhere. Indeed, the members of the World Trade Organization, "agreeing to disagree,"[14] provided in Article 6 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, 33 I. L. M. 1197, 1200, that "nothing in this Agreement shall be used to address the issue of...exhaustion." *See* Chiappetta 346 (observing that exhaustion of intellectual property rights was "hotly debated" during the TRIPS negotiations and that Article 6 "reflects [the negotiators'] ultimate inability to agree" on a single international standard). Similar language appears in other treaties to which the United States is a party. *See* World Intellectual Property Organization (WIPO) Copyright Treaty, Art. 6(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, p. 7 ("Nothing in this Treaty shall affect the freedom of Contracting Parties to determine the conditions, if any, under which the exhaustion of the right [to control distribution of copies of a copyrighted work] applies after the first sale or other transfer of ownership of the original or a copy of the work with the authorization of the author."); WIPO Performances and Phonograms Treaty, Art. 8(2), Dec. 20, 1996, S. Treaty Doc. No. 105-17, p. 28 (containing language nearly identical to Article 6(2) of the WIPO Copyright Treaty).

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[14] Chiappetta, The Desirability of Agreeing to Disagree: The WTO, TRIPS, International IPR Exhaustion and a Few Other Things, 21 Mich. J. Int'l L. 333, 340 (2000) (hereinafter Chiappetta) (internal quotation marks omitted).

In the absence of agreement at the international level, each country has been left to choose for itself the exhaustion framework it will follow. One option is a national-exhaustion regime, under which a copyright owner's right to control distribution of a particular copy is exhausted only within the country in which the copy is sold. *See* Forsyth & Rothnie, Parallel Imports, in The Interface Between Intellectual Property Rights and Competition Policy 429, 430 (S. Anderman ed. 2007) (hereinafter Forsyth & Rothnie). Another option is a rule of international exhaustion, under which the authorized distribution of a particular copy anywhere in the world exhausts the copyright owner's distribution right everywhere with respect to that copy. *See ibid.* The European Union has adopted the intermediate approach of regional exhaustion, under which the sale of a copy anywhere within the European Economic Area exhausts the copyright owner's distribution right throughout that region. *See id.*, at 430, 445. Section 602(a)(1), in my view, ties the United States to a national-exhaustion framework. The Court's decision, in contrast, places the United States solidly in the international-exhaustion camp.

Strong arguments have been made both in favor of, and in opposition to, international exhaustion. *See* Chiappetta 360 ("[r]easonable people making valid points can, and do, reach conflicting conclusions" regarding the desirability of international exhaustion). International exhaustion subjects copyright-protected goods to competition from lower priced imports and, to that extent, benefits consumers. Correspondingly, copyright owners profit from a

national-exhaustion regime, which also enlarges the monetary incentive to create new copyrightable works. *See* Forsyth & Rothnie 432-437 (surveying arguments for and against international exhaustion).

Weighing the competing policy concerns, our Government reached the conclusion that widespread adoption of the international-exhaustion framework would be inconsistent with the long-term economic interests of the United States. *See* Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1997, No. 96-1470, pp. 22-26 (herein-after *Quality King* Brief).[15] Accordingly. the United States has steadfastly "taken the position in international trade negotiations that domestic copyright owners should...have the right to prevent the unauthorized

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[15] The Court states that my "reliance on the Solicitor General's position in *Quality King* is undermined by his agreement in that case with [the] reading of §109(a)" that the Court today adopts. *Ante*, at 33. The United States' principal concern in both *Quality King* and this case, however, has been to protect copyright owners' "right to prevent parallel imports." Brief for United States as *Amicus Curiae* in *Quality King*, O. T. 1997, No. 96-1470, p. 6 (hereinafter *Quality King* Brief). *See also* Brief for United States as *Amicus Curiae* 14 (arguing that Kirtsaeng's interpretation of §109(a), which the Court adopts, would "subver[t] Section 602(a)(1)'s ban on unauthorized importation"). In *Quality King*, the Solicitor General urged this Court to hold that §109(a)'s codification of the first sale doctrine does not limit the right to control importation set forth in §602(a). *Quality King* Brief 7-30. After *Quality King* rejected that contention, the United States reconsidered its position, and it now endorses the interpretation of the §109(a) phrase "lawfully made under this title" I would adopt. Brief for United States as *Amicus Curiae* 6-7, 13-14.

importation of copies of their work sold abroad." *Id.*, at 22. The United States has "advanced this position in multilateral trade negotiations," including the negotiations on the TRIPS Agreement. *Id.*, at 24. *See also* D. Gervais, The TRIPS Agreement: Drafting History and Analysis §2.63, p. 199 (3d ed. 2008). It has also taken a dim view of our trading partners' adoption of legislation incorporating elements of international exhaustion. *See* Clapperton & Corones, *Locking in Customers, Locking Out Competitors: Anti-Circumvention Laws in Australia and Their Potential Effect on Competition in High Technology Markets*, 30 Melbourne U. L. Rev. 657, 664 (2006) (United States expressed concern regarding international-exhaustion legislation in Australia); Montén, Comment, The Inconsistency Between Section 301 and TRIPS: Counterproductive With Respect to the Future of International Protection of Intellectual Property Rights? 9 Marq. Intellectual Property L. Rev. 387, 417-418 (2005) (same with respect to New Zealand and Taiwan).

Even if the text and history of the Copyright Act were ambiguous on the answer to the question this case presents—which they are not, *see* Parts II-III, *supra*[16]—I would resist a holding out of accord with

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[16] Congress hardly lacks capacity to provide for international exhaustion when that is its intent. Indeed, Congress has expressly provided for international exhaustion in the narrow context of semiconductor chips embodying protected "mask works." *See* 17 U. S. C. §§905(2), 906(b). *See also* 2 M. Nimmer & D. Nimmer, Copyright §8A.06[E], p. 8A-37 (2012) (hereinafter Nimmer) ("[T]he first sale doctrine under [§906(b)] expressly immunizes unauthorized importation.").

the firm position the United States has taken on exhaustion in international negotiations. *Quality King*, I acknowledge, discounted the Government's concerns about potential inconsistency with United States obligations under certain bilateral trade agreements. *See* 523 U. S., at 153-154. *See also Quality King* Brief 22-24 (listing the agreements). That decision, however, dealt only with copyright-protected products made in the United States. *See* 523 U. S., at 154 (GINSBURG, J., concurring). *Quality King* left open the question whether owners of U. S. copyrights could retain control over the importation of copies manufactured and sold abroad—a point the Court obscures, *see ante*, at 33 (arguing that *Quality King* "significantly eroded" the national-exhaustion principle that, in my view, §602(a)(1) embraces). The Court today answers that question with a resounding "no," and in doing so, it risks undermining the United States' credibility on the world stage. While the Government has urged our trading partners to refrain from adopting international-exhaustion regimes that could benefit consumers within their borders but would impact adversely on intellectual-property producers in the United States, the Court embraces an international-exhaustion rule that could benefit U. S. consumers but would likely disadvantage foreign holders of U. S. copyrights. This dissonance scarcely enhances the United States' "role as a trusted partner in multilateral endeavors." *Vimar Seguros y Reaseguros, S. A. v. M/V Sky Reefer*, 515 U. S. 528, 539 (1995).

V

I turn now to the Court's justifications for a decision difficult to reconcile with the Copyright Act's text and history.

A

The Court asserts that its holding "is consistent with antitrust laws that ordinarily forbid market divisions." *Ante*, at 32. *See also ante*, at 18 (again referring to anti-trust principles). Section 602(a)(1), however, read as I do and as the Government does, simply facilitates copyright owners' efforts to impose "vertical restraints" on distributors of copies of their works. *See* Forsyth & Rothnie 435 ("Parallel importation restrictions enable manufacturers and distributors to erect 'vertical restraints' in the market through exclusive distribution agreements."). *See generally Leegin Creative Leather Products, Inc. v. PSKS, Inc.*, 551 U. S. 877 (2007) (discussing vertical restraints). We have held that vertical restraints are not *per se* illegal under §1 of the Sherman Act, 15 U. S. C. §1, because such "restraints can have procompetitive effects." 551 U. S., at 881-882.[17]

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[17]Despite the Court's suggestion to the contrary, this case in no way implicates the *per se* antitrust prohibition against *horizontal* "'[a]greements between competitors to allocate territories to minimize competition.'" *Ante*, at 32 (quoting *Palmer v. BRG of Ga., Inc.*, 498 U. S. 46, 49 (1990) (*per curiam*)). Wiley is not requesting authority to enter into collusive agreements with other textbook publishers that would, for example, make Wiley the exclusive supplier of textbooks on particular subjects within particular geographic regions. Instead, Wiley asserts no more than the prerogative to impose *vertical* restraints on the distri-

B

The Court sees many "horribles" following from a holding that the §109(a) phrase "lawfully made under this title" does not encompass foreign-made copies. *Ante*, at 22 (internal quotation marks omitted). If §109(a) excluded foreign-made copies, the Court fears, then copyright owners could exercise perpetual control over the downstream distribution or public display of such copies. A ruling in Wiley's favor, the Court asserts, would shutter libraries, put used-book dealers out of business, cripple art museums, and prevent the resale of a wide range of consumer goods, from cars to calculators. *Ante*, at 19-22. *See also ante*, at 2-3 (KAGAN, J., concurring) (expressing concern about "imposing downstream liability on those who purchase and resell in the United States copies that happen to have been manufactured abroad"). Copyright law and precedent, however, erect barriers to the anticipated horribles.[18]

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bution of its own textbooks. *See* Hovenkamp, Post-Sale Restraints and Competitive Harm: The First Sale Doctrine in Perspective, 66 N. Y. U. Ann. Survey Am. L. 487, 488 (2011) ("vertical restraints" include "limits [on] the way a seller's own product can be distributed").

[18] As the Court observes, *ante*, at 32-33, the United States stated at oral argument that the types of "horribles" predicted in the Court's opinion would, if they came to pass, be "worse than the frustration of market segmentation" that will result from the Court's interpretation of §109(a). Tr. of Oral Arg. 51. The United States, however, recognized that this purported dilemma is a false one. As the United States explained, the Court's horribles can be avoided while still giving meaningful effect to §602(a)(1)'s ban on unauthorized importation. *Ibid.*

Recognizing that foreign-made copies fall outside the ambit of §109(a) would not mean they are forever free of the first sale doctrine. As earlier observed, *see supra*, at 2, the Court stated that doctrine initially in its 1908 *Bobbs-Merrill* decision. At that time, no statutory provision expressly codified the first sale doctrine. Instead, copy-right law merely provided that copyright owners had "the sole liberty of printing, reprinting, publishing, completing, copying, executing, finishing, and vending" their works. Copyright Act of 1891, §1, 26 Stat. 1107.

In *Bobbs-Merrill*, the Court addressed the scope of the statutory right to "ven[d]." In granting that right, the Court held, Congress did not intend to permit copyright owners "to fasten...a restriction upon the subsequent alienation of the subject-matter of copyright after the owner had parted with the title to one who had acquired full dominion over it and had given a satisfactory price for it." 210 U. S., at 349-350. "[O]ne who has sold a copyrighted article...without restriction," the Court explained, "has parted with all right to control the sale of it." *Id.*, at 350. Thus, "[t]he purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Ibid.*

Under the logic of *Bobbs-Merrill*, the sale of a foreign-manufactured copy in the United States carried out with the copyright owner's authorization would exhaust the copyright owner's right to "vend" that copy. The copy could thenceforth be resold, lent out,

or otherwise redistributed without further authorization from the copyright owner. Although §106(3) uses the word "distribute" rather than "vend," there is no reason to think Congress intended the word "distribute" to bear a meaning different from the construction the Court gave to the word "vend" in *Bobbs-Merrill*. *See ibid.* (emphasizing that the question before the Court was "purely [one] of statutory construction").[19]

Thus, in accord with *Bobbs-Merrill*, the first authorized distribution of a foreign-made copy in the United States exhausts the copyright owner's distribution right under §106(3). After such an authorized distribution, a library may lend, or a used-book dealer may resell, the foreign-made copy without seeking the copyright owner's permission. *Cf. ante*, at 19-21.

For example, if Wiley, rather than Kirtsaeng, had imported into the United States and then sold the foreign-made textbooks at issue in this case, Wiley's §106(3) distribution right would have been exhausted under the rationale of *Bobbs-Merrill*. Purchasers of the textbooks would thus be free to dispose of the books as they wished without first gaining a license from Wiley.

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[19] It appears that the Copyright Act of 1976 omitted the word "vend" and introduced the word "distribute" to avoid the "redundan[cy]" present in pre-1976 law. Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U. S. Copyright Law, 87th Cong., 1st Sess., 21 (H. R. Judiciary Comm. Print 1961) (noting that the exclusive rights to "publish" and "vend" works under the Copyright Act of 1947, §1(a), 61 Stat. 652-653, were "redundant").

This line of reasoning, it must be acknowledged, significantly curtails the independent effect of §109(a). If, as I maintain, the term "distribute" in §106(3) incorporates the first sale doctrine by virtue of *Bobbs-Merrill*, then §109(a)'s codification of that doctrine adds little to the regulatory regime.[20] Section 109(a), however, does serve as a statutory bulwark against courts deviating from *Bobbs-Merrill* in a way that increases copyright owners' control over downstream distribution, and legislative history indicates that is precisely the role Congress in-tended

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[20] My position that *Bobbs-Merrill* lives on as a limiting construction of the §106(3) distribution right does not leave §109(a) with no work to do. There can be little doubt that the books at issue in *Bobbs-Merrill* were published and first sold in the United States. *See Bobbs-Merrill Co. v. Straus*, 139 F. 155, 157 (CC SDNY 1905) (the publisher claiming copyright infringement in *Bobbs-Merrill* was incorporated and had its principal office in Indiana). *See also* Copyright Act of 1891, §3, 26 Stat. 1107-1108 (generally prohibiting importation, even by the copyright owner, of foreign-manufactured copies of copyrighted books); 4 Patry §13:40, at 13-111 (under the Copyright Act of 1891, "copies of books by both foreign *and* U. S. authors had to be printed in the United States"). But *cf. ante*, at 18 (asserting, without acknowledging the 1891 Copyright Act's general prohibition against the importation of foreign-made copies of copyrighted books, that the Court is unable to find any "geographical distinctions...in *Bobbs-Merrill*"). Thus, exhaustion occurs under *Bobbs-Merrill* only when a copy is distributed within the United States with the copyright owner's permission, not when it is distributed abroad. But under §109(a), as interpreted in *Quality King*, any authorized distribution of a U. S.-made copy, even a distribution occurring in a foreign country, exhausts the copyright owner's distribution right under §106(3). *See* 523 U. S., at 145, n. 14. Section 109(a) therefore provides for exhaustion in a circumstance not reached by *Bobbs-Merrill*.

§109(a) to play. Congress first codified the first sale doctrine in §41 of the Copyright Act of 1909, 35 Stat. 1084.[21] It did so, the House Committee Report on the 1909 Act explains, "in order to make...clear that [Congress had] no intention [of] enlarg[ing] in any way the construction to be given to the word 'vend.'" H. R. Rep. No. 2222, 60th Cong., 2d Sess., 19 (1909). According to the Committee Report, §41 was "not intended to change [existing law] in any way." *Ibid.* The position I have stated and explained accords with this expression of congressional intent. In enacting §41 and its successors, I would hold, Congress did not "change...existing law," *ibid.*, by stripping the word "vend" (and thus its substitute "distribute") of the limiting construction imposed in *Bobbs-Merrill*.

In any event, the reading of the Copyright Act to which I subscribe honors Congress' aim in enacting §109(a) while the Court's reading of the Act severely diminishes §602(a)(1)'s role. *See supra*, at 10-12. My position in no way tugs against the principle underlying §109(a)—*i.e.*, that certain conduct by the copyright owner exhausts the owner's §106(3) distribution right. The Court, in contrast, fails to give meaningful effect to Congress' manifest intent in §602(a)(1) to grant copyright owners the right to con-

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[21]Section 41 of the 1909 Act provided: "[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." 35 Stat. 1084. This language was repeated without material change in §27 of the Copyright Act of 1947, 61 Stat. 660. As noted above, *see supra*, at 2, 17 U. S. C. §109(a) sets out the current codification of the first sale doctrine.

trol the importation of foreign-made copies of their works.

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Other statutory prescriptions provide further protection against the absurd consequences imagined by the Court. For example, §602(a)(3)(C) permits "an organization operated for scholarly, educational, or religious purposes" to import, without the copyright owner's authorization, up to five foreign-made copies of a non-audiovisual work—notably, a book—for "library lending or archival purposes." But *cf. ante*, at 19-20 (suggesting that affirming the Second Circuit's decision might prevent libraries from lending foreign-made books).[22]

The Court also notes that *amici* representing art museums fear that a ruling in Wiley's favor would prevent museums from displaying works of art created abroad. *Ante*, at 22 (citing Brief for Association of Art Museum Directors et al.). These *amici* observe that a museum's right to display works of art often depends on 17 U. S. C. §109(c). *See* Brief for

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[22]A group of *amici* representing libraries expresses the concern that lower courts might interpret §602(a)(3)(C) as authorizing only the importing, but not the lending, of foreign-made copies of non-audiovisual works. *See* Brief for American Library Association et al. 20. The United States maintains, and I agree, however, that §602(a)(3)(C) "is fairly (and best) read as implicitly authorizing lending, in addition to importation, of all works other than audiovisual works." Brief for United States as *Amicus Curiae* 30, n. 6.

Association of Art Museum Directors et al. 11-13.[23] That provision addresses exhaustion of a copyright owner's exclusive right under §106(5) to publicly display the owner's work. Because §109(c), like §109(a), applies only to copies "lawfully made under this title," *amici* contend that a ruling in Wiley's favor would prevent museums from invoking §109(c) with respect to foreign-made works of art. *Id.*, at 11-13.[24]

Limiting §109(c) to U. S. made works, however, does not bar art museums from lawfully displaying works made in other countries. Museums can, of course, seek the copyright owner's permission to display a work. Furthermore, the sale of a work of art to a U. S. museum may carry with it an implied license to publicly display the work. *See* 2 Patry §5:131, at 5-280 ("[C]ourts have noted the potential availability of an implied nonexclusive licens[e] when the circumstances...demonstrate that the parties intended that the work would be used for a specific purpose."). Displaying a work of art as part of a museum exhibition might also qualify as a "fair use"

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[23]Title 17 U. S. C. §109(c) provides: "Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located."

[24]The word "copy," as it appears in §109(c), applies to the original of a work of art because the Copyright Act defines the term "copies" to "includ[e] the material object...in which the work is first fixed." §101.

under 17 U. S. C. §107 *Cf. Bouchat v. Baltimore Ravens Ltd. Partnership*, 619 F. 3d 301, 313-316 (CA4 2010) (display of copyrighted logo in museum-like exhibition constituted "fair use").

The Court worries about the resale of foreign-made consumer goods "contain[ing] copyrightable software programs or packaging." *Ante*, at 21. For example, the Court observes that a car might be programmed with diverse forms of software, the copyrights to which might be owned by individuals or entities other than the manufacturer of the car. *Ibid.* Must a car owner, the Court asks, obtain permission from all of these various copyright owners before reselling her car? *Ibid.* Although this question strays far from the one presented in this case and briefed by the parties, principles of fair use and implied license (to the extent that express licenses do not exist) would likely permit the car to be resold without the copyright owners' authorization.[25]

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[25]Principles of fair use and implied license may also allow a U. S. tourist "who buys a copyrighted work of art, a poster, or...a bumper sticker" abroad to publicly "display it in America without the copyright owner's further authorization." *Ante*, at 15. (The tourist could lawfully bring the work of art, poster, or bumper sticker into the United States under 17 U. S. C. §602(a)(3)(B), which provides that §602(a)(1)'s importation ban does not apply to "importation...by any person arriving from outside the United States...with respect to copies...forming part of such person's personal baggage."). Furthermore, an individual clearly would not incur liability for infringement merely by displaying a foreign-made poster or other artwork in her home. *See* §106(5) (granting the owners of copyrights in "literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works" the exclusive right

Most telling in this regard, no court, it appears, has been called upon to answer any of the Court's "horribles" in an actual case. Three decades have passed since a federal court first published an opinion reading §109(a) as applicable exclusively to copies made in the United States. *See Columbia Broadcasting System, Inc. v. Scorpio Music Distributors, Inc.*, 569 F. Supp. 47, 49 (ED Pa. 1983), summarily aff'd, 738 F. 2d 424 (CA3 1984) (table). Yet Kirtsaeng and his supporting *amici* cite not a single case in which the owner of a consumer good authorized for sale in the United States has been sued for copyright infringement after reselling the item or giving it away as a gift or to charity. The absence of such lawsuits is unsurprising. Routinely suing one's customers is hardly a best business practice.[26] Manufacturers,

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"to display the copyrighted work *publicly*" (emphasis added)). *See also* §101 (a work is displayed "publicly" if it is displayed "at a place open to the public or at any place where a substantial number of persons *outside of a normal circle of a family and its social acquaintances* is gathered" (emphasis added)). *Cf.* 2 Nimmer §8.14[C][1], at 8-192.2(1) ("[A] performance limited to members of the family and invited guests is not a public performance." (footnote omitted)).

[26]Exerting extensive control over secondary markets may not always be in a manufacturer's best interest. Carmakers, for example, often trumpet the resale value of their vehicles. *See, e.g.*, Nolan, UD grad leads Cadillac marketing, Dayton Daily News, Apr. 2, 2009, p. A8 ("Cadillac plays up its warranty coverage and reliable resale value to prospective customers."). If the transaction costs of reselling vehicles were to rise, consumers' perception of a new car's value, and thus the price they are willing to pay for such a car, might fall—an outcome hardly favorable to automobile manufacturers.

moreover, may be hesitant to do business with software programmers taken to suing consumers. Manufacturers may also insist that software programmers agree to contract terms barring such lawsuits.

The Court provides a different explanation for the absence of the untoward consequences predicted in its opinion—namely, that lower court decisions regarding the scope of §109(a)'s first sale prescription have not been uniform. *Ante*, at 23. Uncertainty generated by these conflicting decisions, the Court notes, may have deterred some copyright owners from pressing infringement claims. *Ante*, at 23-24. But if, as the Court suggests, there are a multitude of copyright owners champing at the bit to bring lawsuits against libraries, art museums, and consumers in an effort to exercise perpetual control over the downstream distribution and public display of foreign-made copies, might one not expect that at least a handful of such lawsuits would have been filed over the past 30 years? The absence of such suits indicates that the "practical problems" hypothesized by the Court are greatly exaggerated. *Ante*, at 24.[27] They surely do not warrant disregarding

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[27]It should not be overlooked that the ability to prevent importation of foreign-made copies encourages copyright owners such as Wiley to offer copies of their works at reduced prices to consumers in less developed countries who might otherwise be unable to afford them. The Court's holding, however, prevents copyright owners from barring the importation of such low-priced copies into the United States, where they will compete with the higher priced editions copyright owners make available for sale in this country. To protect their profit margins in the U. S. market, copyright owners may raise prices in less developed countries or may withdraw from such markets alto-

Congress' intent, expressed in §602(a)(1), to grant copyright owners the authority to bar the importation of foreign-made copies of their works. *Cf. Hartford Underwriters Ins. Co. v. Union Planters Bank, N. A.*, 530 U. S. 1, 6 (2000) ("[W]hen the statute's language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms." (internal quotation marks omitted)).

VI

To recapitulate, the objective of statutory interpretation is "to give effect to the intent of Congress." *American Trucking Assns.*, 310 U. S., at 542. Here, two congressional aims are evident. First, in enacting §602(a)(1), Congress intended to grant copyright owners permission to segment international markets by barring the importation of foreign-made copies into the United States. Second, as codification of the first sale doctrine underscores, Congress did not want the exclusive distribution right conferred in §106(3) to be boundless. Instead of harmonizing

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gether. *See* Brief for United States as *Amicus Curiae* 26; Brief for Text and Academic Authors Association as *Amicus Curiae* 12; Brief for Association of American Publishers as *Amicus Curiae* 37. *See also* Chiappetta 357-358 (a rule of national exhaustion "encourages entry and participation in developing markets at lower, locally more affordable prices by eliminating them as risky sources of cheaper parallel imports back into premium markets"). Such an outcome would disserve consumers—and especially students—in developing nations and would hardly advance the "American foreign policy goals" of supporting education and economic development in such countries. *Quality King* Brief 25-26.

these objectives, the Court subordinates the first entirely to the second. It is unsurprising that none of the three major treatises on U. S. copyright law embrace the Court's construction of §109(a). *See* 2 Nimmer §8.12[B][6][c], at 8-184.34 to 8-184.35; 2 Goldstein §7.6.1.2(a), at 7:141; 4 Patry §§13:22, 13:44, 13:44.10.

Rather than adopting the very international-exhaustion rule the United States has consistently resisted in international-trade negotiations, I would adhere to the national-exhaustion framework set by the Copyright Act's text and history. Under that regime, codified in §602(a)(1), Kirtsaeng's unauthorized importation of the foreign-made textbooks involved in this case infringed Wiley's copyrights. I would therefore affirm the Second Circuit's judgment.

## APPENDIX E

## IN THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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No. 09-4896

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August Term, 2010

(Argued: May 19, 2010 Decided: August 15, 2011)

JOHN WILEY & SONS, INC.,

Plaintiff-Appellee

v.

SUPAP KIRTSAENG, doing business as BLUE-CHRISTINE99,

Defendant-Appellant

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Before CABRANES and KATZMANN, *Circuit Judges*, and MURTHA, *District Judge*.[1]

Appeal from a judgment of the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court

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[1] The Honorable J. Garvan Murtha, of the United States District Court for the District of Vermont, sitting by designation.

of International Trade, sitting by designation), following a jury trial, awarding statutory damages to plaintiff publisher for copyright infringement. Defendant claims on appeal that the District Court denied him a defense under the "first sale doctrine," 17 U.S.C. § 109(a), and erred in evidentiary rulings which, he alleges, led to the award of unduly high damages. In a case of first impression in our Court, we hold (1) that the first sale doctrine, which allows a person who buys a legally produced copyrighted work to sell or otherwise dispose of the work as he sees fit, does not apply to works manufactured outside of the United States, and (2) that the District Court did not err in its evidentiary rulings.

Affirmed.

Judge Murtha dissents in a separate opinion.

William Dunnegan (Laura Scileppi, *on the brief*), Dunnegan LLC, New York, NY, *for plaintiff-appellee*,

SAM P. ISRAEL, New York, NY, *for defendant-appellant*,

John T. Mitchell, Interaction Law, Washington, DC, *for amici curiae Entertainment Merchants Association and National Association of Recording Merchandisers*,

Norman H. Levin (Aaron J. Moss, *on the brief*), Greenberg Glusker Fields Claman & Machtinger LLP, Los Angeles, CA, *for amicus curiae Costco Wholesale Corporation*,

Charles A. Weiss, Kenyon & Kenyon LLP, (Mark A. Abate, Goodwin Proctor LLP, *on the brief*), New York, NY, for *amicus curiae New York Intellectual Property Law Association. in support of plaintiff-appellee.*

JOSÉ A. CABRANES, *Circuit Judge*:

The "first sale doctrine" in copyright law permits the owner of a lawfully purchased copyrighted work to resell it without limitations imposed by the copyright holder.[2] The existence of the doctrine dates to 1908, when the Supreme Court held that the owner of a copyright could not impose price controls on sales of a copyrighted work beyond the initial sale.[3] Congress codified the doctrine in successive Copyright Acts, beginning with the Copyright Act of 1909.[4]

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[2] The first sale doctrine is codified at 17 U.S.C. § 109(a) which reads, in relevant part:

> Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.

17 U.S.C. § 109(a).

[3] *See Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350 (1908).

[4] *See* Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909); Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652, 660 (1947); Copyright Act of 1976, ch. 1, § 109, 90 Stat. 2541, 2548 (codified at 17 U.S.C. § 109(a)) (1976).

The principal question presented in this appeal is whether the first sale doctrine, 17 U.S.C. § 109(a), applies to copyrighted works produced outside of the United States but imported and resold in the United States. Under another basic copyright statute, it is ordinarily the case that "[i]mportation into the United States, without the authority of the owner of copyright under [the Copyright Act], of copies of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies."[5]

Defendant contends, however, that individuals may import and resell books manufactured abroad pursuant to 17 U.S.C. § 109(a), which provides that "the owner of a particular copy lawfully made under [the Copyright Act], or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy."

Defendant's claim is an issue of first impression in our Court.[6]

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[5] 17 U.S.C. § 602(a)(1).

[6] District courts within our Circuit have addressed this issue. *See Pearson Educ., Inc. v. Liu*, 656 F Supp. 2d 407, 416 (S.D.N.Y. 2009) (Holwell, *J.*) (holding "dubitante" that § 109 (a) does not apply to foreign manufactured goods imported into the United States); *Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 WL 2073491, at *3-4 (S.D.N.Y. May 13, 2008) (Stein, *J.*) (holding that § 109(a) does not apply to foreign manufactured goods imported into the United States). In addition, the Ninth Circuit recently held that § 109(a) does not apply to foreign-manufactured goods unless they were previously im-

## BACKGROUND

### *A. The Parties*

Plaintiff-appellee John Wiley & Sons, Inc. ("plaintiff" or "Wiley") is the publisher of academic, scientific, and educational journals and books, including textbooks, for sale in domestic and international markets. Wiley relies upon a wholly-owned subsidiary, John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia"), to manufacture books for sale in foreign countries.[7] While the written content of books for the domestic and international markets is often similar or identical, books intended for international markets can differ from the domestic version in design, supplemental content (such as accompanying CD-ROMS), and the type and quality of materials used for printing, including "thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, [and] lower quality photographs and graphics." Joint App'x at 18. The foreign editions, moreover, are marked with a legend to designate that they are to be sold only in a particular

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ported and sold in the United States with the copyright holder's permission. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008), *aff'd by an evenly divided Court, Costco Wholesale Corp. v. Omega*, S.A., 131 S. Ct. 565 (2010).

[7] As a standard practice, Wiley obtains from its authors the assignment of U.S. and foreign copyrights of reproduction and distribution. The assignment of these copyrights allows Wiley to produce and distribute its works in both domestic and foreign markets.

country or geographic region. One example of such a designation reads as follows:

> **Authorized for sale in Europe, Asia, Africa and the Middle East Only**. This book is authorized for sale in Europe, Asia, Africa and the Middle East only [and] may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

Joint App'x at 406 (emphasis in original).

Defendant Supap Kirtsaeng ("defendant" or "Kirtsaeng") moved to the United States from Thailand in 1997 to pursue an undergraduate degree in mathematics at Cornell University. According to Kirtsaeng, he later moved to California to pursue a doctoral degree.

*B. The Instant Action*

To help subsidize the cost of his education, Kirtsaeng allegedly participated in the following scheme: between 2007 and September 8, 2008, Kirtsaeng's friends and family shipped him foreign edition textbooks printed abroad by Wiley Asia. In turn, Kirtsaeng sold these textbooks on commercial websites such as eBay.com. Using the revenues generated from the sales, Kirtsaeng would reimburse

his family and friends for the costs that they incurred during the process of acquiring and shipping the books and then keep any remaining profits for himself. Kirtsaeng claims that, before selling the textbooks, he sought advice from friends in Thailand and consulted "Google Answers," a website which allowed web users to seek research help from other web users, to ensure that he could legally resell the foreign editions in the United States.

On September 8, 2008, Wiley filed this action against Kirtsaeng in the United States District Court for the Southern District of New York (Donald C. Pogue, Judge of the United States Court of International Trade, sitting by designation), claiming, among other things, copyright infringement under 17 U.S.C. § 501,[8] trademark infringement under 15

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[8] 17 U.S.C. § 501(a) provides, in relevant part:

> Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 [of the Copyright Act] or of the author as provided in section 106A(a), or who imports copies...into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be.

17 U.S.C. § 501(a).

Wiley holds registered United States copyrights for the American editions of the works at issue in this case. Although the foreign editions probably would not be protected by United States copyright law if infringement occurred abroad, see Robert Stigwood Grp. Ltd. v. O'Reilly, 530 F.2d 1096 (2d Cir. 1976), the sale of the foreign editions in the United States allegedly

U.S.C. § 1114(a), and unfair competition under New York state law.[9] Wiley sought a preliminary and permanent injunction under 17 U.S.C. § 502(a),[10] and statutory damages under 17 U.S.C. § 504(c).[11]

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infringes the U.S. copyrights held by Wiley on its American editions.

[9] Wiley later abandoned its trademark and unfair competition claims.

[10] 17 U.S.C. § 502(a) provides, in relevant part:

> Any court having jurisdiction of a civil action arising under this title may, subject to the provisions of section 1498 of title 28, grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.

17 U.S.C. § 502(a).

[11] 17 U.S.C. § 504(c)(1)-(2) provides, in relevant part:

> Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just.
>
> In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000.

17 U.S.C. § 504(c).

*C. Relevant Pre-Trial Proceedings*

In anticipation of trial, Kirtsaeng submitted proposed jury instructions charging that the first sale doctrine was a defense to copyright infringement. By Order dated October 9, 2009, the District Court prohibited Kirtsaeng from raising this defense and rejected the applicability of the first sale doctrine to foreign editions of textbooks, holding that "[t]here is no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act [and,] [t]o the contrary, the textbooks introduced as evidence purport, on their face, to have been published outside of the United States."[12]

On October 23, 2009 and November 3, 2009, Kirtsaeng filed motions *in limine* to preclude the introduction at trial of (1) his online "PayPal" sales records, and specifically, evidence of his gross revenues from the sales of the foreign editions of Wiley's books, and (2) the profits he earned on unrelated sales activities. From the bench during a pre-trial conference on November 3, 2009, the District Court granted the motions in part and denied them in part. The Court explained that Wiley could not introduce

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We have recently observed that "the total number of awards of statutory damages that a plaintiff may recover in any given action depends on the number of works that are infringed...regardless of the number of infringements of those works." *WB Music Corp. v. RTV Commc'n Grp., Inc.*, 445 F.3d 538, 540 (2d Cir. 2006) (internal quotation marks omitted).

[12] *See John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ. 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009) (DCP).

evidence of profits earned by Kirtsaeng from the sales of textbooks produced by other publishers, but "in anticipation that the net worth testimony [would indicate] that [Kirtsaeng did not have] significant net worth [Wiley's counsel had the] right to inquire about additional revenues and the profits therefrom and where they went in order to make sure that we had an accurate record about [Kirtsaeng's] net worth." Joint App'x at 195. The Court further stated that Wiley's counsel "must be careful not to refer to these [unrelated] sales in any way as infringing sales, because that would be entirely improper." *Id.*

*D. Events at Trial*

At trial, during direct examination, Wiley's counsel asked Kirtsaeng, "Now sir, if we were to go back and look at January 1st of 2008, what were your financial assets at that point in time?"

The District Court sustained an objection by Kirtsaeng's counsel and a sidebar discussion followed.

After the sidebar conference and a recess, the first question by Wiley's counsel to Kirtsaeng was: "Mr. Kirtsaeng, before the break we were talking about your net worth during the period of 1999, correct? Excuse me. 2009." Kirtsaeng answered "yes." Wiley's counsel proceeded to ask Kirtsaeng a series of questions about his "net worth" in an attempt to impeach his previous statements. Specifically, he attempted to enter into evidence a record of Kirtsaeng's PayPal revenues, showing $1.2 million

in revenues, in contrast to Kirtsaeng's previous testimony that he had earned only $900,000 in revenues. Joint App'x at 295-97

At a second sidebar conference, during which the jury was excused from the courtroom, the District Court excluded the record of the PayPal evidence as "confusing and unfairly prejudicial." Id. at 298.

When the jury reentered the courtroom, Wiley's counsel continued to ask Kirtsaeng about his revenues from eBay sales. Although Kirtsaeng's counsel immediately objected to the line of questioning on the basis that it had already been "asked and answered"—an objection the District Court initially sustained—the Court subsequently allowed the questioning, explaining that it was uncertain whether the same questions had in fact been asked of the witness earlier in the examination.

At the end of the trial, the District Court charged the jury to determine whether Kirtsaeng had infringed the copyrights of each of eight works and whether any such infringements had been willful. The District Court explained that, under the statutory damages scheme found at 17 U.S.C. § 504(c), see note 10, ante, if the jury found that Kirtsaeng had infringed Wiley's copyright, it could award no less than $750 and no more than $30,000 in damages for each infringed work.

The District Court identified two exceptions to this rule. First, the District Court instructed the jury that, if it found that Wiley had proved by a preponderance of the evidence that the infringement

was willful, under the statutory scheme the jury had the option of awarding up to $150,000 in damages per infringed work. Second, if the jury found that Kirtsaeng had proved by a preponderance of the evidence "that he was not aware and had no reason to believe that his acts constituted an infringement of copyright," the jury could choose to impose an award of statutory damages as low as $200 per infringed work. The jury ultimately found Kirtsaeng liable for willful copyright infringement of all eight works and imposed damages of $75,000 for each of the eight works.

Kirtsaeng filed a timely notice of appeal. He claims that (1) the District Court erred in holding that the first sale doctrine was not an available defense in the circumstances presented; (2) the District Court should have advised the jury of the first sale doctrine as a defense to the claim of willful infringement; and (3) with respect to the jury's assessment of statutory damages, the admission into evidence of testimony regarding the amount of Kirtsaeng's gross receipts was unduly prejudicial.

## DISCUSSION

### *A. The first sale doctrine does not apply to goods produced outside of the United States.*

#### *(1) Standard of review*

The threshold question is whether, pursuant to § 109(a) of the Copyright Act, see note 1, ante, the District Court correctly determined that the phrase

"lawfully made under this title" does not include copyrighted goods manufactured abroad.

Where the decision of a district court "presents only a legal issue of statutory interpretation [w]e review de novo whether the district court correctly interpreted the statute."[13]

*(2) Interpreting the First-Sale Doctrine*

In the Copyright Act of 1976, Congress enacted what is now 17 U.S.C. § 602(a)(1).[14] That section provides:

> Importation into the United States, without the authority of the owner of copyright under this title, of copies or phonorecords of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.

Even if the conduct at issue in this case is otherwise covered by this statutory language, Kirtsaeng contends that he is shielded from any liability under the Copyright Act by § 109(a), *see* note 1, *ante*. Again, in relevant part, that section provides: "Not-

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[13] *Perry v. Dowling*, 95 F.3d 231, 235 (2d Cir. 1996) (citing *White v. Shalala*, 7 F.3d 296, 299 (2d Cir. 1993)).

[14] In 2008, Congress amended the statute, resulting in the redesignation of what had been § 602(a) as § 602(a)(1). Act of October 13, 2008, Pub. L. 110-403, Title I, § 105(b)-(c)(1), 122 Stat. 4259.

withstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy." Section 109(a) is a codification of the longstanding "first sale doctrine."[15]

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[15] The first sale doctrine was first endorsed by the Supreme Court in the landmark 1908 case of *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908). In that case, the publishers of *The Castaway*, a popular novel, inserted the following notice after the title page of the book: "The price of this book at retail is $1 net. No dealer is licensed to sell it at a less [sic] price, and a sale at a less [sic] price will be treated as an infringement of the copyright." *Id.* at 341. The publishers subsequently sued a department store that had purchased copies of the books at wholesale and sold them each at retail for eighty-nine cents. The Supreme Court held:

> The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new addition of it.
>
> In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.

*Id.* at 350.

The Supreme Court made clear that the matter before it "was purely a question of statutory construction." *Id.* The relevant statute provided that copyright owners had "the sole liberty of

There is at least some tension between § 602(a)(1), which seemingly seeks to give copyright holders broad control over the circumstances in which their copyrighted material may be imported (directly or indirectly) into the United States, and § 109(a), which limits the extent to which the copyright holder may limit distribution following an initial sale. The Supreme Court first had occasion to address the interplay between § 602(a)(1) and § 109(a) in *Quality King Distributors, Inc. v. L'anza Research International, Inc.*[16]

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printing, reprinting, publishing, completing, copying, executing, finishing, and *vending*" their copyrighted works. Copyright Act of 1891, § 4952, 26 Stat. 1107 (emphasis added). Congress promptly codified the holding in *Bobbs-Merrill*—which became known as the first sale doctrine—in the 1909 Copyright Act. Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909) ("[N]othing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained.").

The current version of the first sale doctrine—as codified in § 109(a)—differs in two noticeable respects from the version Congress first passed in 1909. First, under current copyright law, the exclusive right to "vend" granted to copyright holders has been replaced by the exclusive right to "distribute." See § 106(3). However, the Supreme Court has indicated that, at least for purposes of the first sale doctrine, nothing of consequence turns on this alteration. *See Quality King*, 523 U.S. 135, 152 (1998). The second change is that the first sale doctrine no longer applies to "any copy of a copyrighted work," but rather, only to any copy "lawfully made under this title."

[16] 523 U.S. 135 (1998).

Quality King involved the sales practices of L'anza Research International, a California corporation engaged in the business of manufacturing and selling shampoos, conditioners, and other hair care products. L'anza sold its products domestically and internationally, but its prices to foreign distributors were 35% to 40% lower than the prices charged to its domestic distributors. L'anza brought suit against Quality King Distributors, Inc., which had purchased shipments of L'anza's products from one of L'anza's foreign distributors and then re-imported the products into the United States for re-sale. L'anza alleged that Quality King's actions violated its "exclusive rights under 17 U.S.C. §§ 106, 501 and 602 to reproduce and distribute the copyrighted material in the United States."[17] The Supreme Court heard the case in order to decide the question of "whether the 'first sale' doctrine endorsed in § 109(a) is applicable to imported copies."[18]

In a unanimous opinion, the Supreme Court held that § 109(a), operating in combination with § 106(3), does in fact limit the scope of § 602(a).[19] However, there was a key factual difference at work in Quality King that is of critical importance to our disposition of the instant appeal. In Quality King, the copyrighted items in question had all been manufactured in the United States. Indeed, this im-

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[17] *Id.* at 140 (quotation marks omitted).

[18] *Id.* at 138.

[19] *Id.* at 145.

portant fact provided the basis for Justice Ginsburg's brief concurring opinion, in which she explained: "This case involves a 'round trip' journey, travel of the copies in question from the United States to places abroad, then back again. I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad."[20]

Although the majority opinion did not directly address the question of whether § 109(a) can apply to items manufactured abroad, the opinion contains instructive dicta that guides our disposition of the issue. In particular, the Court took pains to explain ways in which § 109(a) and § 602(a) do, and do not, overlap. As the Court stated: "[A]lthough both the first sale doctrine embodied in § 109(a) and the exceptions in § 602(a) may be applicable in some situations, the former does not subsume the latter; those provisions retain significant independent meaning."[21] For instance, § 602(a) "encompasses copies that are not subject to the first sale doctrine—e.g., copies that are lawfully made under the law of another country[.]"[22] The Court even pondered the following hypothetical:

> If the author of [a] work gave the exclusive United States distribution rights— enforceable under

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[20] *Id.* at 154 (Ginsburg, J., concurring).

[21] *Id.* at 148-49 (majority opinion).

[22] *Id.* at 148.

> the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, presumably only those made by the publisher of the U.S. edition would be 'lawfully made under this title' within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).[23]

In these passages, the Court suggests that copyrighted material manufactured abroad cannot be subject to the first sale doctrine contained in § 109(a).

The Supreme Court recently seemed poised to transform this dicta into holding when it granted a writ of *certiorari* to review the Ninth Circuit's decision in *Omega S.A. v. Costco Wholesale Corp.*[24] That case involved the importation into the United States of Omega-brand watches by unidentified third parties without the permission of Omega; the watches were ultimately purchased and resold by Costco Wholesale Corporation. The Ninth Circuit maintained its well-settled position that § 109(a) does not apply to items manufactured outside of the United States unless they were previously imported and

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[23] *Id.*

[24] 541 F.3d 982 (9th Cir. 2008).

sold in the United States with the copyright holder's permission.[25] After hearing oral argument, an equally divided Supreme Court (with Justice Kagan recused) was obliged to affirm the judgment rendered by the Ninth Circuit.[26]

Without further guidance from the Supreme Court, we now consider the extent to which the protections set forth in § 109(a) may apply to items manufactured abroad. In doing so, we rely on the text of § 109(a), the structure of the Copyright Act, and the Supreme Court's opinion in *Quality King*.

*(3) Textual Analysis*

We start, of course, by turning to the statutory language enacted by Congress. "Statutory interpretation always begins with the plain language of the statute, assuming the statute is unambiguous."[27] In the instant case, we are principally called upon to give meaning to the phrase "lawfully made under this title" contained in § 109(a).[28]

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[25] *Id.* at 990.

[26] *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010).

[27] *Universal Church v. Geltzer*, 463 F.3d 218, 223 (2d Cir. 2006).

[28] Again, § 109(a), in relevant part, provides:

> Notwithstanding the provisions of section 106(3) [of the Copyright Act], the owner of a particular copy...lawfully made under this title, or any person authorized by such owner, is entitled, without the au-

In arriving at a satisfactory textual interpretation of the statutory language at issue, we focus primarily on the words "made" and "under," but this task is complicated by two factors: (1) the word "made" is not a term of art in the Copyright Act,[29] and (2) "[t]he word 'under' is [a] chameleon" and courts "must draw its meaning from its context."[30] Wiley contends that we must interpret "lawfully made under this title" to mean "lawfully made in the United States." This view of the law—which was also adopted by the United States in its *amicus* brief before the Supreme Court in *Costco*[31]—is certainly consistent with the text of § 109(a).[32] It is also the logical consequence, Wiley submits, of the general presumption against the extraterritorial application of statutes,[33] a presumption which we have specifically

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thority of the copyright owner, to sell or otherwise dispose of the possession of that copy

[29] A simple and authoritative dictionary definition of "made" is "artificially produced by a manufacturing process." *Webster's Third New International Dictionary* 1356 (1976).

[30] *Kucana v. Holder*, 130 S. Ct. 827, 835 (2010).

[31] Brief for the United States as *Amici Curiae* in Support of Respondent, at 5, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423).

[32] The Supreme Court has previously defined "under" to mean "subject to" and "governed by." *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (defining the meaning of the word "under" in the Equal Access to Justice Act).

[33] *See Morrison v. Nat'l Austl. Bank Ltd.*, 130 S. Ct. 2869, 2877 (2010) ("It is a longstanding principle of American law that legislation of Congress, unless a contrary intent appears, is meant

applied to the copyright laws.[34] Wiley argues that Title 17 only applies in the United States, and thus, copyrighted items can only be "made" under that title if they were physically made in this country.

But the extraterritorial application of Title 17 is more complicated than Wiley allows, since certain provisions in Title 17 explicitly take account of activity occurring abroad. Most notably, § 104(b)(2) provides that "[t]he works specified by sections 102 and 103, when published, are subject to protection under this title if the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party[.]"[35] Indeed, because § 104(b)(2) provides that copyright protection can apply to works published in foreign nations, it is possible to interpret § 109(a)'s "lawfully made under this title" language to mean, in effect, "any work that is subject to protection under this title."

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to apply only within the territorial jurisdiction of the United States." (quotation marks omitted)).

[34] *See, e.g., Update Art, Inc. v. Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988) ("It is well established that copyright laws generally do not have extraterritorial application.").

[35] 17 U.S.C. § 104(b)(2) (emphasis added). *Quality King* also explained how certain provisions of Title 17 might apply to activity occurring abroad. 523 U.S. at 145 n.14 ("[T]he owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court even if the first sale occurred abroad. Such protection does not require the extraterritorial application of the Act any more than § 602(a)'s 'acquired abroad' language does."

There are other reasons why a textual analysis alone is not sufficient to support Wiley's preferred reading of § 109(a). Most obviously, if Congress had intended the first sale doctrine—at least as codified by § 109(a)—to apply only to works made in the United States, it could have easily written the statute to say precisely that.[36] Moreover, "lawfully made under this title" appears in other provisions of Title 17 where it is at least arguable that Congress intended this language to apply to works manufactured outside of the United States. For instance, § 1006(a)(1) of the Audio Home Recording Act provides for applicable royalty payments to be made to "any interested copyright party whose musical work or sound recording has been embodied in a digital musical recording or an analog musical recording lawfully made under this title that has been distributed."[37] It is the view of the U.S. Copyright Office that distribution of royalty payments under this Act is

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[36] At oral argument before the Supreme Court in Costco, the United States tried to argue that its interpretation of § 109(a) (which, again, is also Wiley's) is not perfectly interchangeable with "lawfully made in the United States," "because at least in theory, it would be possible for the creation of a copy to entail a violation of environmental laws, workplace safety laws, minimum wage laws, et cetera." Transcript of Oral Argument at 38, *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010) (No. 08-1423). This argument, while clever, is unpersuasive.

[37] 17 U.S.C. § 1006(a)(1)(A).

not limited to those recordings manufactured in the United States.[38]

But while a textual reading of § 109(a) does not compel the result favored by Wiley, it does not foreclose it either. The relevant text is simply unclear. "[L]awfully made under this title" could plausibly be interpreted to mean any number of things, including: (1) "manufactured in the United States," (2) "any work made that is subject to protection under this title," or (3) "lawfully made under this title had this title been applicable."[39]

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[38] *See Digital Audio Recording Technology (DART) Factsheet on Filing Claims for Royalty Distribution*, U.S. Copyright Office, http://www.copyright.gov/carp/dartfact.html (last visited June 23, 2011).

[39] Kirtsaeng would prevail if we adopted either of the latter two definitions, but these definitions, like Wiley's, are at best merely consistent with a textual reading of § 109(a). To further complicate the matter, both of these possible formulations are explicitly employed elsewhere in Title 17. See 17 U.S.C. § 401 ("Whenever a *work protected under this title* is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section may be placed on publicly distributed copies from which the work can be visually perceived. " (emphasis added)); 17 U.S.C. § 602(b) ("In a case where the making of the copies and phonorecords would have constituted an infringement of copyright *if this title had been applicable*, their importation is prohibited." (emphasis added)). Once again, if Congress had intended § 109(a) to reflect either one of those formulations, it could have employed their language with precision.

*(4) Section 602(a)(1) and* Quality King

Confronted with an utterly ambiguous text, we think it best to adopt an interpretation of § 109(a) that best comports with both § 602(a)(1) and the Supreme Court's opinion in Quality King.[40]

Section 602(a)(1) prohibits the importation into the United States of copyrighted works acquired abroad without the authorization of the copyright holder. This provision is obviously intended to allow copyright holders some flexibility to divide or treat differently the international and domestic markets for the particular copyrighted item. If the first sale doctrine codified in § 109(a) only applies to copyrighted copies manufactured domestically, copyright holders would still have a free hand—subject, of course, to other relevant exceptions enumerated in Title 17, such as those in §§ 107, 108, and 602(a)(3)—to control the circumstances in which copies manufactured abroad could be legally imported into the United States. On the other hand, the mandate of § 602(a)(1)—that "[i]mportation into the United States, without the authority of the owner of copyright under [the Copyright Act], of copies of a work that have been acquired outside the United States is an infringement of the [owner's] exclusive right to distribute copies"—would have no force in the vast majority of cases if the first sale doctrine

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[40] *See David v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989) ("It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.").

was interpreted to apply to every work manufactured abroad that was either made "subject to protection under Title 17," or "consistent with the requirements of Title 17 had Title 17 been applicable."[41] This reading of the Copyright Act militates in favor of finding that § 109(a) only applies to domestically manufactured works. While the Ninth Circuit in Omega held that §109(a) also applies to foreign-produced works sold in the United States with the permission of the copyright holder, that holding relied on Ninth Circuit precedents not adopted by other courts of appeals. Accordingly, while perhaps a close call, we think that, in light of its necessary interplay with § 602(a)(1), § 109(a) is best interpreted as applying only to works manufactured domestically.

In adopting this view, we are comforted by the fact that our interpretation of § 109(a) is one that the Justices appear to have had in mind when deciding Quality King. There, the Court reasoned, admittedly in dicta, that § 602(a)(1) had a broader scope than §

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[41] Under Kirtsaeng's definition, § 602(a)(1) would only permit U.S. copyright holders to control the importation of their works into the United States when (i) the individual importing the work does not legally "own" the copy in question, or (ii) the work in question was produced in a country where United States copyright is not protected. While these remaining categories would ensure that § 602(a)(1) would not be rendered useless, copyright holders would have little control over the importation of their works under Kirtsaeng's theory. Specifically, in order to exclude certain copies from entering the United States, copyright holders would be required either to (i) not sell their goods, or (ii) produce them in countries that may not honor their copyright in the first place.

109(a) because, at least in part, § 602(a)(1) "applies to a category of copies that are neither piratical nor 'lawfully made under this title.' That category encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country."[42] This last sentence indicates that, in the Court's view, works "lawfully made" under the laws of a foreign country—though perhaps not produced in violation of any United States laws—are not necessarily "lawfully made" insofar as that phrase is used in § 109(a) of our Copyright Act.[43]

Applying these principles to the facts of this case, we conclude that the District Court correctly decided that Kirtsaeng could not avail himself of the first sale doctrine codified by § 109(a) since all the books in question were manufactured outside of the United States.[44] In sum, we hold that the phrase "lawfully

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[42] 523 U.S. at 147.

[43] This interpretation seems to be confirmed by language later in the opinion explaining that § 602(a) has a broader scope than § 109(a) "because it encompasses copies that are not subject to the first sale doctrine—*e.g.*, copies that are lawfully made under the law of another country[.]" *Id.* at 148.

[44] We do note, however, that while all the books in question were printed abroad, they all bore American copyright notices. The same was true of the watches at issue in *Costco*. *See Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 983 (9th Cir. 2008). One difference between the two cases is that at least two of the foreign editions at issue in the instant case contain explicit warnings invoking Title 17. For example, the back cover of *Fundamentals of Heat and Mass Transfer* (Sixth Edition) states: No part of this publication may be reproduced,

made under this Title" in § 109(a) refers specifically and exclusively to works that are made in territories in which the Copyright Act is law, and not to foreign-manufactured works.[45]

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stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act. " Joint App'x at 387. Since this book was "[p]rinted in Asia," and prohibited from ever being imported into the United States, we are admittedly somewhat puzzled as to why Title 17 is invoked. Nevertheless, to the extent Title 17 governs at all, we have no reason to conclude that every provision, including § 109(a), applies to the manufacture of works made abroad.

[45] Kirtsaeng argues that this holding is undesirable as a matter of public policy because it may permit a plaintiff to vitiate the first sale doctrine by "manufactur[ing] *all* of its volumes overseas only to then ship them into the U.S. for domestic sales." Defendant-Appellant's Br. at 21. Phrased differently, it is argued that any such decision may allow a copyright holder to completely control the resale of its product in the United States by producing its goods abroad and then immediately importing them for initial distribution. In this sense, the copyright holder would arguably enjoy the proverbial "best of both worlds" because, in theory, the consumer could not rely on the first sale doctrine to re-sell the imported work. In other words, the copyright holder would have an incentive to "outsource" publication to foreign locations to circumvent the availability of the first sale doctrine as a defense for consumers wishing to re-sell their works in the domestic market. The result might be that American manufacturing would contract along with the protections of the first sale doctrine. Kirtsaeng argues that this could not possibly have been Congress's intent. We acknowledge the force of this concern, but it does not affect or alter our interpretation of the Copyright Act.

We freely acknowledge that this is a particularly difficult question of statutory construction in light of the ambiguous language of § 109(a), but our holding is supported by the structure of Title 17 as well as the Supreme Court's opinion in Quality King. If we have misunderstood Congressional purpose in enacting the first sale doctrine, or if our decision leads to policy consequences that were not foreseen by Congress or which Congress now finds unpalatable, Congress is of course able to correct our judgment.

*B. The District Court did not err in its instructions to the jury.*

"We review jury instructions de novo, and reverse only when the charge, viewed as a whole, constitutes prejudicial error."[46] Kirtsaeng claims that the District Court erred by rejecting proposed jury instructions that acknowledged that the applicability of the first sale doctrine to foreign-produced goods was an unresolved question in the federal courts. Specifically, Kirtsaeng argues that he was prejudiced by the Court's failure to charge that the first sale doctrine was an unsettled area of law because the charge was essential to his argument that he had performed pre-sale internet research regarding the legality of his sales and therefore had not "willfully" infringed the copyrights.

It is undisputed that Kirtsaeng's counsel did not object to the final jury instructions during trial. "[F]ailure to object to a jury instruction...prior to the

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[46] *United States v. Amato*, 540 F.3d 153, 164 (2d Cir. 2008).

jury retiring results in a waiver of that objection."[47] Nonetheless, under Federal Rule of Civil Procedure 51(d)(2), we "may consider a plain error in the instruction that has not been preserved as required [under Rule 51] if the error affects substantial rights."

"To constitute plain error, a court's action must contravene an established rule of law."[48] Kirtsaeng does not meet his burden under this stringent standard. Although the District Court was free to permit the jury to consider the unsettled state of the law in determining whether Kirtsaeng's conduct was willful,[49] we can find no binding authority for the proposition that it was required to do so.[50] Further-

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[47] *Jarvis v. Ford Motor Co.*, 283 F.3d 33, 57 (2d Cir. 2002) (quotation marks omitted); *see also* Fed. R. Civ. P. 51.

[48] *Lavin-McEleny v. Marist Coll.*, 239 F.3d 476, 483 (2d Cir. 2001).

[49] *See N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992) (holding that infringement is "willful" for the purpose of awarding enhanced statutory damages only if the defendant had "knowledge that [his] actions constitute[d] an infringement" or if the defendant exhibited "reckless disregard of the copyright holder's rights" (quotation marks omitted)); *cf. LNC Invs., Inc. v. First Fid. Bank, N.A.*, 173 F.3d 454, 468 (2d Cir. 1999) (holding that the jury was properly instructed to consider the unsettled state of the law in determining whether the defendants' actions were prudent).

[50] *But cf., e.g., Hearst Corp. v. Stark*, 639 F. Supp. 970, 980 (N.D. Cal. 1986) (holding that there could be no finding of willful copyright infringement as a matter of law where the wrongfulness of the defendant's actions depended on an unsettled question of law).

more, Kirtsaeng was provided ample opportunity to introduce evidence at trial and to argue to the jury that his internet research had led him to believe that his conduct was not unlawful. Accordingly, we cannot conclude that the District Court plainly erred in declining to give Kirtsaeng's proposed instruction.

*C. The District did not err in allowing into evidence the amount of defendant's gross revenues.*

Kirtsaeng argues that admission of evidence regarding his gross revenues prejudiced him by confusing the jury as to the amount of damages that should have been awarded to Wiley. He suggests that the majority of his revenues came from the sale of other publishers' used volumes, many of which were produced in the United States, and claims that because of the evidence of revenues that the judge permitted to be presented to the jury, he was inappropriately forced to pay high statutory damages.

To determine whether evidence of the amount of defendant's gross revenues was properly admitted, ordinarily we first determine the appropriate standard of review. As stated above, where a party does not contemporaneously object to an evidentiary ruling, that party must demonstrate that the District Court committed "plain error."[51] However, even if a proper objection was asserted in a timely fashion, we accord "considerable deference to a district court's decision to admit evidence" pursuant to Federal

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[51] Fed. R. Civ. P. 51 (d)(2).

Rule of Evidence 403(b)[52] and will reverse a district court's evidentiary ruling only if it constitutes an abuse of discretion.[53] When we review a district court's "judgment regarding the admissibility of a particular piece of evidence under [Federal Rule of Evidence] 403, we generally maximize its probative value and minimize its prejudicial effect."[54] Here, however, we need not reach the question of whether Kirtsaeng's counsel properly objected to the admission of evidence regarding his gross revenues because we hold that admission of the evidence by the District Court was not error or an abuse of discretion, and certainly not plain error.

At trial, the jury awarded $75,000 in statutory damages per copyrighted work for Kirtsaeng's willful infringement of eight works. Under the relevant statutory provision, 17 U.S.C. § 504(c), *see* note 10, *ante*, the jury could have awarded damages of up to $150,000 per copyrighted work. Because abundant evidence was available to support the jury's finding of willfulness, the admission of information about

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[52] *SEC v. DiBella*, 587 F.3d 553, 571 (2d Cir. 2009) (quotation marks omitted). Rule 403(b) provides: "Although relevant, evidence may be excluded if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence." Fed. R. Evid. 403(b).

[53] *DiBella*, 587 F.3d at 571; *cf. Sims v. Blot*, 534 F.3d 117, 132 (2d Cir. 2008) (explaining the term of art "abuse of discretion").

[54] *United States v. Downing*, 297 F.3d 52, 59 (2d Cir. 2002) (quotation marks omitted).

Kirtsaeng's revenues was not prejudicial—that is, the jury could have imposed the same amount of damages without knowledge of Kirstaeng's revenues. For example, the books in question clearly stated the following:

> This book is authorized for sale [in a foreign region] only and may not be exported out of this region. Exportation from or importation of this book to another region without the Publisher's authorization, is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

In these circumstances, it does not seem anomalous or extraordinary that the jury made the findings it did, and we see no reason to conclude that the District Court's decision was improper under Rule 403(b).

## CONCLUSION

To summarize, we hold that (1) the first sale doctrine does not apply to works manufactured outside of the United States; (2) the District Court did not err in declining to instruct the jury regarding the unsettled state of the first sale doctrine; and (3) the District Court did not err in admitting evidence of Kirtsaeng's gross revenues.

Accordingly, the judgment of the District Court is **AFFIRMED**.

J. GARVAN MURTHA, *District Judge*, dissenting:

As noted by the majority, the application of the first sale doctrine when a copy is manufactured outside the United States is an issue of first impression in this Circuit. The Supreme Court has recently considered the issue but unfortunately provided no specific guidance. See *Costco Wholesale Corp. v. Omega, S.A.*, 131 S. Ct. 565 (2010), aff'g by an equally divided court 541 F.3d 982 (9th Cir. 2008) (holding the first sale doctrine does not apply to foreign manufactured copies unless previously imported and sold with the copyright holder's authorization). Unlike the majority, I conclude the first sale defense should apply to a copy of a work that enjoys United States copyright protection wherever manufactured. Accordingly, I respectfully dissent.

The Copyright Act sections that are pertinent to this appeal—17 U.S.C. §§ 106(3), 109(a), and 602(a)(1)—are set out in the opinion of the majority. The distribution right of § 106(3) primarily protects a copyright owner's ability to control the terms on which her work enters the market. The first sale doctrine of § 109(a) limits the scope of this distribution right. Finally, § 602(a)(1) addresses the extent to which the distribution right allows a copyright owner to also control importation of copies of her work.

The Supreme Court has held a copyright owner's § 602(a) right to control the importation of copies of her work is derivative of § 106(3)'s distribution right, which is subject to the first sale doctrine. *Quality King Distrib., Inc. v. L'Anza Research Int'l, Inc.*, 523

U.S. 135, 149 (1998). The Court noted "the text of § 602(a) itself unambiguously states that the prohibited importation is an infringement of the exclusive distribution right 'under section 106, actionable under section 501.'" Id. Because the rights granted in § 106(3) are "subject to sections 107 through 122," the copyright owner's power to limit importation is qualified by the first sale doctrine of § 109(a). Id. at 144.

The issue is whether this holding can be extended to copies manufactured outside the United States. The Quality King Court held the first sale doctrine applies to imported copies that were made in the United States. Here, the district court held—and the majority affirms—the doctrine does not apply to imported copies that were made abroad because § 109(a) applies only to copies that are "lawfully made under this title," and that means physically manufactured in the United States. See *John Wiley & Sons, Inc. v. Kirtsaeng*, No. 08 Civ 7834, 2009 WL 3364037, at *9 (S.D.N.Y. Oct. 19, 2009). The court's decision is based on the following dicta in Quality King:

Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edi-

tion, however, presumably only those made by the publisher of the United States edition would be 'lawfully made under this title' within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a).

523 U.S. at 148 (footnote omitted).

I respectfully disagree with the court's analysis. To apply, § 109(a) requires (1) the person claiming protection be the owner of the copy, and (2) the copy was "lawfully made under this title." 17 U.S.C. § 109(a). Courts have split over the meaning of "lawfully made under this title," with some holding it means "legally manufactured...within the United States," *CBS v. Scorpio Music Distrib.*, 569 F Supp. 47, 49 (E.D. Pa. 1983), aff'd without opinion, 738 F.2d 424 (3d Cir. 1984); see also *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 987 (9th Cir. 2008), aff'd by an equally divided court 131 S. Ct. 565 (2010), and others "confess[ing] some uneasiness with this construction" and suggesting "lawfully made under this title" refers not to the place a copy is manufactured but to the lawfulness of its manufacture as a function of U.S. copyright law. *Sebastian Int'l, Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098 n.1 (3rd Cir. 1988).

The statutory text does not refer to a place of manufacture: It focuses on whether a particular copy was manufactured lawfully under title 17 of the United States Code. 17 U.S.C. § 109(a). The United

States law of copyrights is contained in title 17 Accordingly, the lawfulness of the manufacture of a particular copy should be judged by U.S. copyright law. *Pearson Educ. v. Liu*, 656 F Supp. 2d 407, 412 (S.D.N.Y. 2009) (John Wiley & Sons, Inc. was a plaintiff in this action as well). A U.S. copyright owner may make her own copies or authorize another to do so. 17 U.S.C. § 106(1). Thus, regardless of place of manufacture, a copy authorized by the U.S. rightsholder is lawful under U.S. copyright law. Here, Wiley, the U.S. copyright holder, authorized its subsidiary to manufacture the copies abroad, which were purchased and then imported into the United States.

This interpretation of "lawfully made" is supported by the language of the Copyright Act as a whole. For example, Congress used the phrase "under this title" in multiple sections of the Act to describe the scope of rights created by the Act. See, e.g., 17 U.S.C. § 104(a) (providing certain works, "while unpublished, are subject to protection under this title without regard to the nationality or domicile of the author"); id. § 105 (providing "copyright protection under this title is not available for any work" of the U.S. government); id. § 106 (providing "the owner of copyright under this title has the exclusive rights to. "). However, "[w]hen Congress considered the place of manufacture to be important,...the statutory language clearly expresses that concern." *Sebastian*, 847 F.2d at 1098 n.1. For example, § 601(a), the "manufacturing requirement," provides:

> Prior to July 1, 1986, and except as provided by subsection (b), the importation into or public distribution in the United States of copies of a work consisting preponderantly of nondramatic literary material that is in the English language and is *protected under this title* is prohibited unless the portions consisting of such material have been *manufactured in the United States* or Canada.

17 U.S.C. § 601(a)(1) (emphasis added). Also, as the majority points out, § 104(b)(2) provides "[t]he works specified by sections 102 and 103, when published, are subject to protection under this title if the work is first published *in the United States or in a foreign nation.* " 17 U.S.C. § 104(b)(2) (emphasis added). If Congress intended § 109(a) to apply only to copies manufactured in the United States, it could have stated "lawfully manufactured in the United States under this title." As Congress did not include "manufactured in the United States" in § 109(a), though it was clearly capable of doing so as demonstrated by § 601(a), the omission supports the conclusion that Congress did not intend the language "lawfully manufactured under this title" to limit application of § 109(a) to only copies manufactured in the United States.[55]

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[55] Congress also demonstrated it could differentiate based on the place a copy was "acquired," *see* § 602(a) (applying to copies "acquired outside the United States"), further supporting the conclusion that its omission of a phrase indicating the place of manufacture was not accidental.

As noted in the majority opinion, supra note 14, the first sale doctrine originated in *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908). There the Supreme Court held defendant-retailer's sales of a copyrighted book for less than the price noted on the copyright page was not a copyright violation. Id. at 341. "The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it." *Bobbs-Merrill*, 210 U.S. at 350. Once the copyright holder has controlled the terms on which the work enters the market, i.e., the purpose of the distribution right, "the policy favoring a copyright monopoly for authors gives way to the policy opposing restraints of trade and restraints on alienation." *Pearson*, 656 F Supp. 2d at 410 (citation and quotation marks omitted). Accordingly, the *Bobbs-Merrill* Court held the copyright owner did not have the right to control the terms of subsequent sales. 210 U.S. at 351.

The common law policy against restraints on trade and alienation is not limited by the place of manufacture. *Pearson*, 656 F Supp. 2d at 413. Under the 1909 (codifying the *Bobbs-Merrill* holding) and 1947 Copyright Acts, the first sale doctrine applied to "any copy of a copyrighted work the possession of which has been lawfully obtained." Pub. L. No. 60-349, 35 Stat. 1075, 1084 (1909); Pub. L. No. 80-281, 61 Stat. 652, 660 (1947) (emphasis added). The Supreme Court noted "[t]here is no reason to assume Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope." *Quality King*, 523 U.S. at 152. The changed wording in the current version of § 109(a)—"lawfully made under this ti-

tle"—from the prior versions—"possession of which has been lawfully obtained"—should likewise not be presumed to do so.

Economic justifications also support applicability of the first sale doctrine to foreign made copies. Granting a copyright holder unlimited power to control all commercial activities involving copies of her work would create high transaction costs and lead to uncertainty in the secondary market. An owner first would have to determine the origin of the copy—either domestic or foreign—before she could sell it. If it were foreign made and the first sale doctrine does not apply to such copies, she would need to receive permission from the copyright holder.[56] See 17 U.S.C. § 106(3). Such a result would provide greater copyright protection to copies manufactured abroad than those manufactured domestically: Once a domestic copy has been sold, no matter where the sale occurred, the copyright holder's right to control its distribution is exhausted. I do not believe Congress

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[56] Wiley argues its interpretation of § 109(a) would not lead to perpetual control over imported works because once the U.S. copyright owner imports its copies into the United States, they are lawfully within the United States and, as § 602 applies only to "importations without the authority of the copyright owner," any further sales would not be covered. Appellee's Br. at 24-25. This argument is not persuasive because the copyright holder seeking to prevent its copies from entering the United States retains exclusive control no matter how many foreign sales may have been made. Wiley's rule allows it to protect the disparity in its pricing structure despite free market forces. Indeed such a rule, by differentiating based on place of manufacture, would encourage the manufacturing of copies abroad to the detriment of American workers.

intended to provide an incentive for U.S. copyright holders to manufacture copies of their work abroad.

The Ninth Circuit has attempted to circumvent this perpetual right when a copy is made abroad by holding the first sale doctrine can apply to copies made outside the United States but only after there has been one authorized sale here. *Denbicare U.S.A. Inc. v. Toys R Us, Inc.*, 84 F.3d 1143, 1150 (9th Cir. 1996). This precedent carried over into the reasoning in *Omega S.A.*, 541 F.3d at 986-90. The Supreme Court, however, provided no guidance as to its views on the Ninth Circuit's imperfect solution, which is judicially created. This interpretation finds no support in the statutory text and is in direct conflict with the portion of the Supreme Court's *Quality King* decision which noted that where a sale occurs is irrelevant for first sale purposes. *See* 523 U.S. at 145.

Supporters of limiting the application of the first sale doctrine to domestically manufactured copies rely on the argument that applying the doctrine to foreign made copies would render § 602(a) "virtually meaningless." (Appellee's Br. at 15-17.) However, § 602(a) will always apply to copies of a work that have not been sold or are piratical copies. It also applies to copies of a work not lawfully manufactured under title 17 but lawfully manufactured under some other source of law, as in the *Quality King* dicta, and to copies not in the possession of the "owner," e.g., a bailee, licensee, consignee or one whose possession of the copy was unlawful. *Quality King*, 523 U.S. at 147-48. Further, § 602(a) itself states unau-

thorized importation is an infringement of the exclusive distribution right of § 106, which as noted above is subject to the first sale doctrine of § 109(a).

Nothing in § 109(a) or the history, purposes, and policies of the first sale doctrine limits it to copies of a work manufactured in the United States. That leaves the question whether the *Quality King* dicta "sp[eaks] directly to whether the first sale doctrine applies to copies manufactured abroad." *Pearson*, 656 F. Supp. 2d at 414. That dicta, however, makes no reference to the place of manufacture, *Quality King*, 523 U.S. at 148, and therefore does not speak directly to the issue of applicability of the doctrine to foreign made copies.[57] Further, the dicta states the first sale doctrine would not provide a defense to the publisher who sold copies in the American market. *Quality King*, 523 U.S. at 148. Of course, because in that situation there has been no first sale unlike here, where the issue is whether the first sale doctrine is available as a defense to the subsequent purchaser.

In *Quality King*, Justice Ginsburg, in a concurrence joined by no other justice, noted: "I join the Court's opinion recognizing that we do not today resolve cases in which the allegedly infringing imports were manufactured abroad." *Quality King*, 523 U.S.

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[57] The Amici argue, based on the discussion at oral argument of *Quality King*, the Court was actually discussing the situation where the copy is made—presumably abroad, but could be domestically—by someone other than the U.S. copyright holder, for example, a British copyright holder who manufactures under British law. Entm't Merch. Assoc. Amici Br. at 10-12.

at 154 (Ginsburg, J., concurring). That issue, however, was squarely before the Supreme Court in Omega and four justices presumably did not agree the Quality King dicta directly addresses it or constitutes the Court's current view. In light of the above analysis, I agree with the majority that it is a "close call," supra p. 19, and I would conclude the first sale doctrine applies to foreign manufactured copies.

For the foregoing reasons, I respectfully dissent.

# APPENDIX F

## UNITED STATES DISTRICT COURT
## SOUTHERN DISTRICT OF NEW YORK

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No. 08-7834

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JOHN WILEY & SONS, INC.,

Plaintiff

v.

SUPAP KIRTSAENG, d/b/a BLUECHRISTINE99, et al.,

Defendants

## OPINION

Plaintiff publisher, John Wiley & Sons, Inc. ("Wiley") brings this action claiming that Defendant Supap Kirtsaeng ("Kirtsaeng"),[1] and other unknown associates, violated the Copyright Act's (the "Act") prohibition of the unauthorized importation of goods subject to U.S. copyright and thereby infringed Wiley's exclusive right to distribute copies of its cop-

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[1] Kirtsaeng, in his resale of Wiley books on commercial websites, does business under the following names: BlueChristine99, BillyText, PinkyText, Sudchliew, Tubooksl23 and PigVickey. (*See* Am. Compl. ¶ 16.)

yrighted works under section 106(3) of the Act. Specifically, Wiley alleges that Kirtsaeng and his associates purchased abroad foreign editions of Wiley textbooks and imported and resold them in the United States—without Wiley's authorization—over the Internet through websites including, but not limited to, eBay. Kirtsaeng responds that the "first sale" doctrine, codified as section 109(a) of the Act, provides a complete defense to Wiley's claims. He additionally raises the defenses of waiver and lack of standing.

As explained below, the court holds that the Act does not provide Kirtsaeng with any of these three defenses to this action.

## I. Background

The parties disagree as to the facts of this case; therefore, the court will attempt to fairly set forth the disputed and undisputed evidence.

Wiley publishes textbooks world-wide. In order to print and publish these textbooks, Wiley obtains, from the authors, assignment of the U.S. and foreign copyrights of reproduction and distribution. It is Wiley's practice, generally, to register these copyrights.

The design, quality, and prices of Wiley-copyrighted textbooks, however, allegedly vary depending on where they are published. According to Wiley, its U.S. editions, authorized for sale in the U.S., are "of the highest quality...generally printed with strong, hard-cover bindings with glossy protective coatings," and are often supplemented with CD-

ROMs, access to educational websites, and study guides. (Am. Compl. ¶ 11.) The foreign editions, Wiley further asserts, though meant to be "generally comparable in quality and appearance" to the U.S. editions, (Def.'s Ex. 1 at ¶ 2(c)) nonetheless "materially differ from the United States editions [with] thinner paper and different bindings, different cover and jacket designs, fewer internal ink colors, if any, lower quality photographs and graphics, and generally lower prices...and often lack academic supplements. " (Am. Compl. ¶ 12.) The foreign editions indicate on their front covers that they are a "Wiley International Student Edition[s]," "Wiley International Student Version[s]," or "Wiley Asia Student Edition(s)." (Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) On their back covers, the foreign editions state that they are either "authorized for sale in Europe, Asia, Africa and the Middle East only" or "authorized for sale in Asia only" and specifically affirm that

> This book...may not be exported. Exportation from or importation of this book to another region without the Publisher's authorization is illegal and is a violation of the Publisher's rights. The Publisher may take legal action to enforce its rights. The Publisher may recover damages and costs, including but not limited to lost profits and attorney's fees, in the event legal action is required.

(Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) In addition, while the foreign editions also specify that they were "Printed in Asia," these editions display notices of

foreign copyright.[2] (Pl.'s Exs. 10, 12, 14, 16, 18, 20, 22, 24.) Wiley avers that it "makes more profit from the sale of a United States Edition than from the sale of a Foreign Edition." ([Revised] Joint Pre-trial Order, Sched. C-1, ¶ 16.)

Wiley entered into a "Reprint Agreement" whereby it affirmatively assigned to one of its subsidiaries—John Wiley & Sons (Asia) Pte Ltd. ("Wiley Asia")—its rights to the reprinting and publishing of foreign editions of its books "for sale as English language reprint editions *in the following territories*: India, Bangladesh, Indonesia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, [and] Vietnam [the "territories]." (*See* Def.'s Ex. 1 at ¶ 1 (emphasis added); *see also* [Revised] Joint Pre-trial Order, Sched. C-2, ¶ 6.)[3] Thus, Wiley assigned its rights to publish and sell its books in the territories to Wiley Asia and

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[2] The parties agree that the foreign editions had "notices stating that the books are copyrighted in the U.S." ([Revised] Joint Pre-trial Order, Sched. C, ¶ D.) The books, however, do not appear to bear U.S. copyright notices sufficient to satisfy the requirements under section 401(b) of the Act. 17 U.S.C. § 401(b). However, notice of copyright under the Act is not a prerequisite to an infringement action. If such a section 401(b) notice appears on a U.S.-copyrighted book, the Act provides instead that an alleged infringer cannot raise the defense that he "innocently" infringed the copyright. *See id.* § 401(d). *See also Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 123 (2d Cir. 2001).

[3] Subsequently, on March 30, 2007, Wiley assigned Wiley Asia's reprint rights to Wiley India Pvt. Ltd. ("Wiley India"). (Def.'s Ex. 3. ¶ 1(a).) The assignment to Wiley India does not affect the outcome in this case.

later to Wiley India, but, given the geographic limitations on the assignment, retained its U.S. copyright protection and its rights to publish and sell its books in the United States.[4]

Kirtsaeng moved from Thailand to the U.S. in 1997 and obtained an undergraduate degree in mathematics. ([Revised.] Joint Pre-trial Order, Sched. C, ¶ A.) According to Kirtsaeng, he thereafter moved to California to pursue a Ph.D. (Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶ 2) which he ostensibly earned in 2009. (See, Decl. of Supap Kirtsaeng in Opp. to Mot. for Contempt ¶¶ 6-7.) During his stay in the U.S., Kirtsaeng received shipments[5] of Wiley foreign edition textbooks, printed abroad by Wiley Asia, "via UPS express and ocean freight" from "friends and family." ([Revised] Joint Pre-trial Order, Sched. C, ¶¶ B, C; id., Sched. C-2, ¶ 3.) He then sold these textbooks on commercial websites, reimbursed his family and friends from the sales, and retained the profits from these sales to, among other things, pay for his education. (Id., Sched. C, ¶ C; id., Sched. C-2, ¶ 1; see also Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶ 6.) Kirtsaeng in-

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[4] Kirtsaeng emphasizes that the "Reprint Agreement" with Wiley Asia "does not prohibit shipments from overseas into the United States." ([Revised] Joint Pre-trial Order, Sched. C-2, 1 8.) However, the court finds this omission immaterial to its interpretation of the assignment contract.

[5] The parties agree that Kirtsaeng "did not *personally* bring books from overseas into this country." ((Revised] Joint Pretrial Order, Sched. C, ¶ C.) (emphasis added).

sists that, prior to his sales of textbooks, he consulted friends from Thailand as well as advice from a "Google Answers Researcher" to affirm the legality of the sales. (See Decl. of Supap Kirtsaeng in Opp. to Mot. for Attach. & Prelim. Inj. ¶¶ 6-7; Def.'s Ex. 4; [Revised] Joint Pre-trial Order, Sched. C-2, ¶ 3.) Wiley alleges that Kirtsaeng sold numerous copies of the foreign editions of, at minimum, eight of its copyrighted works, amounting to "revenue of over $37,000" from these sales.[6] ((Revised] Joint Pre-trial Order, Sched. C-1, ¶¶ 2-3, 6.)

In September 2008, Wiley commenced this suit against Kirtsaeng claiming copyright infringement, under 17 U.S.C. § 501,[7] as well as trademark infringement and New York state claims for unfair competition.[8] (Am. Compl. ¶¶ 17-32.) Wiley requests a preliminary and permanent injunction, un-

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[6] Wiley further claims that Kirtsaeng "had additional revenue from the sale of copies [of] Wiley's copyrighted works which he did not disclose in discovery" and "has provided incomplete evidence of expenses of his infringing sales." ((Revised] Joint Pre-trial Order, Sched. C-1, ¶¶ 7-8.)

[7] In accordance with section 501, the owner of a copyright "is entitled...to institute an action" against a copyright "infringer," that is, "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122..., or who imports copies...into the United States in violation of section 602." 17 U.S.C. 501(a)-(b).

[8] Plaintiff has since abandoned its trademark and unfair competition claims. (*See* [Revised] Joint Pre-trial Order.)

der 17 U.S.C. § 502(a) (2006),[9] and statutory damages, under 17 U.S.C. § 504(c).[10] The parties have concluded discovery, and this action is schedule for jury trial.

Kirtsaeng claims that he may raise the "first sale" doctrine pursuant to 17 U.S.C. § 109(a), waiver, and standing as defenses to Wiley's copyright infringement action. Kirtsaeng's assertion of these defenses raises legal issues the court must resolve.

## II. The "First Sale" Defense

Both parties have briefed the applicability of section 109(a) to this case, and, thus, the issue is ripe for judicial decision. Before addressing the issue, however, the court will discuss the relevant provisions of the Act.

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[9] Pursuant to section 502(a), a copyright owner may ask the court for "temporary and final injunctions on such terms as [the court] may deem reasonable to prevent or restrain infringement of a copyright." *Id.* § 502(a).

[10] Section 504(c) provides for statutory damages, at the copyright owner's election:

> to recover, instead of actual damages and profits, an award...for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just.

*Id.* § 504(c)(1). Higher damages may awarded if the copyright owner can demonstrate that the defendant "willfully" infringed the copyright. *See id.* § 504(c)(2).

*A. Section 109(a) of the Act*

In *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 350-51 (1908), the Supreme Court introduced the "first sale" doctrine, now codified under 17 U.S.C. § 109(a), as a defense to a claim of copyright infringement.[11] *Bobbs-Merrill*, 210 U.S. at 350 ("The purchaser of a book, once sold by authority of the owner of the copyright, may sell it again, although he could not publish a new edition of it. In our view the copyright statutes, while protecting the owner of the copyright in his right to multiply and sell his production, do not create the right to impose, by notice, such as is disclosed in this case, a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract.").

Codifying this "first sale" defense, section 109(a) states, in pertinent part:

> Notwithstanding the provisions of section 106(3), the owner of a particular copy...lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy.

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[11] Congress initially established the first sale doctrine as statutory law in 1909 as part of the Act. *See* Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1075, 1084 (1909). In 1947, the Act was codified, *see* Copyright Act of 1947, ch. 391, § 27, 61 Stat. 652, 660 (1947), and in 1976 the Act was overhauled and the first sale statutory language materially changed to its current form. *See* Copyright Act of 1976, § 109, 90 Stat. 2541, 2548-49 (1976).

Section 106 of the Act, referenced above in section 109, enumerates the "exclusive rights" in copyrighted works possessed by the copyright owner; subsection (3) provides the owner with the "exclusive" right "to distribute copies...of the copyrighted work to the public by sale or other transfer of ownership..." *Id.* § 106(3). Violation of any of the section 106 "exclusive" rights constitutes copyright infringement, and subjects the infringer to civil liability under the Act. *See id.* § 501(a)-(b). However, pursuant to section 109, "*notwithstanding*" the copyright owner's "exclusive" right to distribute its works, an *owner of a "particular copy"* of the work may *dispose of that copy as he pleases* without subjecting himself to liability. *Id.* § 109(a) (emphasis added).

*B. Section 602(a) of the Act*

Section 602 of the Act complicates matters. According to section 602(a):

> (1)...Importation into the United States, without the authority of the owner of copyright under this title, of copies of a work that have been acquired outside the United States is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under section 501.[12]

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[12] Section 602(a)(3) provides three exceptions:

> (A) importation or exportation of copies...under the authority or for the use of the Government of the United States or of any State or political subdivision of a State, but not including copies , for use in schools...;

17 U.S.C.A. § 602(a)(1) (2005 & Supp. 2009).[13]

*C. Quality King*

The Supreme Court has explained the interaction of sections 109(a) and 602(a), holding that the importation of goods subject to U.S. copyright cannot constitute copyright infringement when the goods are *manufactured in the U.S.*, sold by the U.S. copyright owner to an entity abroad, and subsequently reimported into the U.S. *See Quality King Distribs. v. L'Anza Research Intl*, 523 U.S. 135, 145 (1998). According to the Supreme Court, once the U.S. copy-

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> (B) importation or exportation, for the private use of the importer or exporter and not for distribution, by any person with respect to no more than one copy...of any one work at any one time, or by any person arriving from outside the United States or departing from the United States with respect to copies...forming part of such person's personal baggage; or
>
> (C) importation by or for an organization operated for scholarly, educational, or religious purposes and not for private gain...

*Id.* § 602(a)(3). Defendant has not argued that any of these exceptions apply to limit section 602 application.

[13] Section 602(a)(2) also prohibits such imports, without the owner's authorization, of copyrighted articles "the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable..." Notably, as long as a copyrighted work is "lawfully made," Customs has no authority to prevent its importation, *id.* § 602(b), but the infringer is nevertheless subject to a civil lawsuit for unauthorized importation.

right owner sold its goods, whether in the U.S. or otherwise, the first sale doctrine protected the subsequent owner of the goods from liability under the Act.[14]

*Quality King*'s reasoning hinges on the Supreme Court's reading of the relevant sections of the Act. The Court noted that section 602 "does not categorically prohibit the unauthorized importation of copyrighted materials." Id. at 144. Rather, section 602 provides that "such importation is an infringement of the exclusive right to distribute copies 'under section 106,'" the latter statutory provision stating that all exclusive rights granted are limited by the provisions 17 U.S.C. §§ 107 through 120—including section 109(a), which "expressly permit[s] the owner of

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[14] The *Quality King* plaintiff sold its product with U.S.-manufactured copyrighted labels in the United States and abroad, applying different advertising techniques and charging 35 to 40 percent lower prices on sales abroad. *Quality King*, 523 U.S. at 138-39. As to its domestic sales, Plaintiff L'anza sold "exclusively to domestic distributors who have agreed to resell within limited geographic areas and then only to authorized retailers such as barber shops, beauty salons, and professional hair colleges." *Id.* at 138. The goods sold in foreign markets "were manufactured by L'anza and first sold by L'anza to a foreign purchaser." *Id.* at 139. Thereafter, the foreign-sold goods "found their way back into the United States without the permission of L'anza and were sold in California by unauthorized retailers who had purchased them at discounted prices from [Defendant] Quality King Distributors, Inc." *Id.*

For the purposes of the decision, the Court assumed that Quality King "bought all three shipments from the Malta distributor, imported them, and then resold them to retailers who were not in L'anza's authorized chain of distribution." *Id*

a lawfully made copy to sell that copy 'notwithstanding the provisions of section 106(3)." *Id.* Therefore, the Court reasoned

> After the first sale of a copyrighted item "lawfully made under this title," any subsequent purchaser, whether from a domestic or from a foreign reseller, is obviously an "owner" of that item. Read literally, § 109(a) unambiguously states that such an owner "is entitled, without the authority of the copyright owner, to sell" that item. Moreover, since § 602(a) merely provides that unauthorized importation is an infringement of an exclusive right "under section 106," and since that limited right does not encompass resales by lawful owners, the literal text of § 602(a) is simply inapplicable to both domestic and foreign owners of L'anza's products who decide to import them and resell them in the United States.
>
> The whole point of the first sale doctrine is that once the copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution.

*Id.* at 145, 152. As a consequence, "the owner of goods lawfully made under the Act is entitled to the protection of the first sale doctrine in an action in a United States court *even if the first sale occurred abroad*." *Id.*, at 145 n.14 (emphasis added).

Kirtsaeng argues that the holding in *Quality King* should be extended to also cover *foreign*-manufactured goods. He urges the court, when de-

ciding whether a protected first sale has taken place, to focus on whether the copyright owner has received its "reward" for the sale. *See Platt & Munk Co. v. Republic Graphics, Inc.*, 315 F.2d 847, 854 (2d Cir. 1963) ("the ultimate question embodied in the 'first sale' doctrine [is] 'whether or not there has been such a disposition of the article that it may fairly be said that the patentee [or copyright proprietor] has received his reward for the use of the article'" (quoting *United States v. Masonite*, 316 U.S. 265, 278 (1942))); *Sebastian Int'l. Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093, 1098-99 (3d Cir. 1988). Because Wiley transferred its printing rights to Wiley Asia for "financial consideration" and "profited on its assignment," Kirtsaeng concludes that the first sale doctrine applies. ([Revised] Joint Pre-trial Order, Sched. F-3, 26, 27.)

*D. Analysis*

The precise issue confronting the court is as follows: is a U.S. importer[15] and/or subsequent distributor liable for copyright infringement, when this importer/distributor purchases foreign editions of U.S. copyrighted textbooks from a foreign company that manufactures and sells the textbooks pursuant to a geographically-specific assignment agreement, i.e., does the importation prohibition in section 602(a)(1) apply, despite a "first sale" abroad where the goods were lawfully made abroad rather than in the Unit-

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[15] The court assumes, in its instant analysis, that Kirtsaeng imported the books covered by U.S. copyright.

ed States? For the following reasons, this court answers this question in the affirmative.

This is, however, a relatively close jurisprudential question. See 2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 8.12[B][6] (Matthew Bender, Rev. Ed. 2009). Indeed, courts disagree as to the particular application of section 109(a) to fact patterns such as in this case. *Compare Pearson Educ., Inc. v. Liao*, No. 07-Civ-2423 (SHS), 2008 U.S. Dist. LEXIS 39222, at *8-12 (S.D.N.Y. May 13, 2008) (holding that section 109(a) does not apply to foreign-manufactured goods) *and Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 988-90 (9th Cir. 2008) (same)[16] *with Pearson Educ., Inc. v. Liu*, No. 1:08-cv-06152-RJH, 2009 U.S. Dist. LEXIS 88569, at

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[16] *Columbia Broadcasting Sys., Inc. v. Scorpio Music Distribs,. Inc.*, 569 F. Supp. 47, 49-50 (E.D. Pa. 1983), *aff'd without opinion*, 738 F.2d 421 (3d Cir. 1984) is the seminal case that refused to allow a first sale defense under section 109(a) in the case of foreign-manufactured goods. A host of cases have followed the *Scorpio* reasoning, even post-*Quality King*. *See, e.g., Microsoft Corp. v. Big Boy Distrib. LLC*, 589 F. Supp. 2d 1308, 1316-17 (S.D. Fla. 2008); *Microsoft Corp. v. Cietdirect.com LLC*, No. 08-60668-CTV-UNGARO, 2008 U.S. Dist. LEXIS 61956, at *13-15 (S.D. Fla. Aug. 5, 2008); *Swatch S.A. v. New City Inc.*, 454 F Supp. 2d 1245, 1253-54 (S.D. Fla. 2006); *U2 Home Ent'mt, Inc. v. Lai Ying Music & Video Trading, Inc.*, No. 04 Civ. 1233, 2005 U.S. Dist. LEXIS 9853, at *15-16 (S.D.N.Y. May 25, 2005), *rev'd in part on other grounds*, 245 F App'x 28 (2d Cir. 2007); *UMG Recordings, Inc. v. Norwalk Distribs., Inc.*, No. SACV 02-1188 DOC (ANx), 2003 U.S. Dist. LEXIS 26302, at *11-14 (C.D. Cal. Mar. 13, 2003); *Parfums Givenchy*, 38 F.3d at 481-82; *BMG Music v. Perez*, 952 F.2d 318, 319 (9th Cir. 1991); *Lingo Corp. v. Topix, Inc.*, No. 01 Civ. 2853 (RMB), 2003 U.S. Dist. LEXIS 1437, at *12-13 (S.D.N.Y. Jan. 31, 2003).

*12-27 (S.D.N.Y. Sept. 25, 2009) (reading section 109(a) as equally applying to U.S.-and foreign-manufactured goods, but nonetheless refusing to allow a section 109(a) defense in light of *Quality King dicta*) *and Red Baron-Franklin Park, Inc. v. Taito Corp.*, No. BB-0156-A, 1988 U.S. Dist. LEXIS 15735, at *9-10 (E.D. Va. Aug. 29, 1988) (allowing 109(a) defense even when goods are manufactured abroad) (discussing *Sebastian*, 847 F.2d at 1098 & n.1), *rev'd on other grounds*, 883 F.2d 275 (4th Cir. 1989).[17]

As explained below, the court has reservations about the wisdom of a bright-line rule in the application of section 109(a) to this situation. *Cf. Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577-578 (1994) (refusing to institute a bright-line in place of a case-by-case analysis as to section 107 of the Act). Nevertheless, following the Supreme Court's *dicta* in *Quality King*, the court reads section 109(a)'s language to render the "first sale" defense unavailable to the goods manufactured in a foreign country at issue here.

*(1) Statutory Language*

"As with any question of statutory interpretation, [the court's] analysis begins with the plain language of the statute." *Jimenez v. Quarterman*, __ U.S. __, __, 129 S. Ct. 681, 685 (2009) (citation and internal quotation marks omitted). Section 109(a) applies to

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[17] *See also, e.g., Okocha v. Amazon.com*, 153 F. App'x 849, 849-50 (3d Cir. 2005) (allowing section 109(a) defense to Amazon.com's sale of books possibly manufactured abroad).

copies "lawfully made under this title." The dictionary definition of "made" is relatively straightforward—"[p]roduced or manufactured by constructing, shaping, or forming." *Webster's II New Riverside University Dictionary* 713 (1988). The court notes the dictionary definitions of "under": "[s]ubject to" or "[w]ith the authorization of." *Id.* 1256. *Accord Ardestani v. INS*, 502 U.S. 129, 134-35 (1991). It follows, then, that the imported goods must be manufactured "subject to" or "with the authorization of" the Act in order for section 109(a) to apply.

Using this plain language definition, however, there is still some ambiguity as to relationship between "made" and "under this title." The phrase "lawfully made under this title" can still be read either of two ways: (1) the goods must be made in a way that is consistent with the authorization called for in the Act, in which case the goods may be manufactured either domestically or internationally, or (2) the goods must be made within the control of U.S. law, that is, domestically only. *See Liu*, 2009 U.S. Dist. LEXIS 88569, at *13-14. Hence, the plain language, in the relevant sections of the Act, is at least ambiguous, and, consequently, the court turns to other methods of interpretation.

*(2) Statutory Context*[18]

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[18] "It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme." *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989).

The structure of the Act also does not provide a determinative conclusion. Generally, "[a] term appearing in several places in a statutory text is [] read the same way each time it appears." *Ratzlaf v. United States*, 510 U.S, 135, 143 (1994). Many provisions use the terms "lawfully made under this title"[19] as well as "under this title."[20] Whereas, perhaps, the

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[19] *See also, e.g.*, 17 U.S.C. § 109(c) ("Notwithstanding the provisions of section 106(5), the owner of a particular copy *lawfully made under this title*, or any person authorized by such owner, is entitled, without the authority of the copyright Owner, to display that copy publicly. "), 109(e) ("Notwithstanding the provisions of sections 106(4) and 106(5), in the case of an electronic audiovisual game intended for use in coin-operated equipment, the owner of a particular copy of such a game *lawfully made under this title*, is entitled, without the authority of the copyright owner of the game, to publicly perform or display that game ..."), 110 ("the following are not infringements of copyright...performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to instruction, unless...the performance, or the display of individual images, is given by means of a copy that was not *lawfully made under this title*, and that the person responsible for the performance knew or had reason to believe was not lawfully made."), 1001(7), 1006(a) (an "interested copyright party" is entitled to royalties from those importing and selling certain recordings which contain those of its works "*lawfully made under this title*.") (emphasis added). *Compare id.*, § 112(g) ("The transmission program embodied in a copy or phonorecord *made under this section* is not subject to protection as a derivative work under this title") (emphasis added).

[20] *See, e.g.*, 17 U.S.C. §§ 104(a) ("The works specified by sections 102 and 103, while unpublished, are subject to protection *under this title* without regard to the nationality or domicile of the author"), 106 ("Subject to sections 107 through 122, the owner of copyright *under this title* has the exclusive rights to do and to

latter term does not necessarily refer to the place of manufacture, see Liu, 2009 U.S. Dist. LEXIS 88569, at *15-16, it is not conclusively apparent that provisions containing the former phrase similarly do not.

On the one hand, when Congress wishes to limit protection under the Act based on place of manufac-

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authorize any of the following "), 112(g), 113(b) ("This title does not afford, to the owner of copyright any greater or lesser rights *under the law*, whether title 17 or the common law or statutes of a State as held applicable and construed by a court in an action brought *under this title*."), 114(a)(4)(B) ("Nothing in this section annuls or limits in any way remedies available *under this title*"), 201(e) ("When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect *under this title*, except as provided *under title 11*"), 203(b) ("Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author"), 301(c) ("no sound recording fixed before February 15, 1972, shall be subject to copyright *under this title* before, on, or after February 15, 2067."), 304(c)(6)(E) ("Termination of a grant *under this subsection* affects only those rights covered by the grant that arise *under this title*, and in no way affects rights arising under any other Federal, State, or foreign laws."), 502(a) ("Any court having jurisdiction of a civil action arising *under this title* may grant temporary and final injunctions"), 601(d) ("Importation or public distribution of copies in violation of this section does not invalidate protection for a work *under this title*."), 702 ("All regulations established by the Register *under this title* are subject to the approval of the Librarian of Congress.") (emphasis added).

ture, it does so clearly. *See* 17 U.S.C. §§ 401(a), 601; *Sebastian*, 847 F.2d at 1098 n.1. However, in section 104(b) of the Act, Congress used different terminology to indicate protection pursuant to the Act for certain U.S. copyrighted works, regardless of place of manufacture: "[t]he works specified by sections 102 and 103 [i.e., works covered by the Act] are *subject to protection under this title* if...(2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party..." 17 U.S.C. § 104(b) (emphasis added). That is, Congress knows how to and has specifically phrased the extension of protection under the Act—for manufacture consistent with the Act's requirements in order to merit the Act's protection—as opposed to lawful manufacture under the Act. At the same time, a geographic-specific interpretation of section 109 comports with the general rule that the Act does not have extraterritorial operation. *Update Art, Inc. v. Modiin Publ'g Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988). *Compare Quality King*, 523 U.S. at 145 n.14 (indicating that, as long as the goods are lawfully made under the Act, first sales abroad do not involve extraterritorial application of the Act).[21] Thus the statutory context does not resolve the issue.

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[21] Courts should be "hesitant to adopt an interpretation of a congressional enactment which renders superfluous another portion of that same law." *Kawaauhau v. Geiger*, 523 U.S. 57, 62 (1998) (citation and internal quotation marks omitted). While the court does not necessarily agree that with other courts that section 109(a) could, in combination with the Supreme Court's *Quality King* holding, completely subsume section 602(a), *see BMG Music*, 952 F.2d at 319-20, it is troubled by limiting section 602(a)(1)'s application to bailees and similar

*(3) Legislative History*

The legislative history surrounding sections 109 and 602 is also inconclusive. For example, in 1976, Congress, except with regard to copies irrelevant to this dispute, repealed the section of the Act preconditioning U.S. copyright protection on manufacture in the U.S. *See* H.R. Rep. No. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5780-85. Congress then banned imports of certain copyrighted materials. Some suggested that the ban only extend to "piratical copies." The 1961 Register's Report noted

> When arrangements are made for both a U.S. edition and a foreign edition of the same work, the publishers frequently agree to divide the international markets. The foreign publisher agrees not to sell his edition in the United States, and the U.S. publisher agrees not to sell his edition in certain foreign countries. It has been suggested that the import ban on piratical copies should be extended to bar the importation of the foreign edition in contravention of such an agreement.
>
> Some countries, including the United Kingdom, bar importation in this situation, apparently on the ground that, even though the copies were authorized, their sale in violation of a territorial limitation would be an infringement of the copy-

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possessors of copyrighted goods given the section's broad language.

> right. In the United States, there is no clear decision as to whether the sale of authorized copies beyond a territorial limitation is an infringement. But the import ban on "piratical copies" does not seem to apply to authorized copies.
>
> We assume, without considering the antitrust questions involved, that agreements to divide international markets for copyrighted works are valid and [enforceable] contracts as between the parties. But we do not believe that the prohibition against imports of piratical copies should be extended to authorized copies covered by an agreement of this sort. To do so would impose the territorial restriction in a private contract upon third persons with no knowledge of the agreement. And even as between the parties, Customs does not seem to be an appropriate agency for the enforcement of private contracts.

Copyright Law Revision: Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., 125-126 (H. R. Judiciary Comm. Print 1961). Thus, the Register's Report recommended *against* extending the Act to protect the market-allocation contracts. However, Congress, in crafting subsections (a) and (b) of section 602, did *not* limit the Act's prohibition merely to "piratical copies."[22] Arguably, by implication, Congress

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[22] As the Supreme Court in *Quality King* noted, when discussing the drafting of the 1976 Act, some Congressmen in fact were concerned about foreign manufacturers breaking contracts and selling foreign-made U.S. copyrighted materials in

intended to statutorily enforce geographically-limited assignment and license agreements.

But the 1976 House Report's explanation of section 109(a) did not mention the place of manufacture of U.S.-copyrighted materials and, instead, generally stated that "where the copyright owner has transferred ownership of a particular copy of a work, the person to whom the copy is transferred is entitled to dispose of it by sale, rental, or any other means." H.R. Rep. No. 94-1476 at 79, *reprinted in* 1976 U.S.C.C.A.N. at 5693. Further, according to the House Report, "[t]his does not mean that conditions on future disposition of copies...imposed by a contract between their buyer and seller [] would be unenforceable between the parties as a breach of contract, but it does mean that they could not be enforced by an action for infringement of copyright." *Id.* Thus, it appears that Congress, in some circum-

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the United States. *See* Copyright Law Revision Part 4: Further Discussions and Comments on Preliminary Draft for Revised U.S. Copyright. Law, 88th Cong., 2d Sess., 119 (H. R. Judiciary Comm. Print 1964) (statement of Mrs. Pilpel) ("For example, if someone were to import a copy of the British edition of an American book and the author had transferred exclusive United States and Canadian rights to an American publisher, would that British edition be in violation so that this would constitute an infringement under this section?"); *see also id.*, at 209 (statement of Mr. Mange) (the situation is "a troublesome problem that confronts U.S. book publishers frequently"; "Now it's alright to say, 'Let the American publisher protect his right by an action for breach of contract,' but that isn't so easy. In the first place it is almost always impractical financially. And, second of all, it is extremely difficult and sometimes impossible to find out who is the person that should be sued.").

stances, would leave the enforcement of distribution agreements to the parties involved.

Additionally, it is unclear whether Congress intended the language provided in section 109(a) to limit, rather than simply to codify, *Bobbs-Merill's* elucidation of the "first sale" principle. *Quality King*, 523 U.S. at 152 ("There is no reason to assume that Congress intended either § 109(a) or the earlier codifications of the doctrine to limit its broad scope."). Therefore, reading section 109(a) to limit the reach of the right of first sale could be an artificial exercise.

*(4) Public Policy*

Likewise, the policy behind the Act supports either interpretation of section 109(a). Persuasive policy arguments exist for the expansive reach of section 109(a). For example, in common law and in the Uniform Commercial Code, the validity of sales of goods does not depend upon place of manufacture. *See* 2 *Nimmer on Copyrights* § 8.12[B] [6][a] & n. 110 (noting *Cosmair. Inc. v. Dynamite Enters.*, No. 85-0651-Civ-Hoeveler, 1985 U.S. Dist. LEXIS 20922, at *9-10 (S.D. Fla. Apr. 9, 1985)). Similarly, the policy behind the first sale itself, reflecting the hesitancy to allow a seller to "impose...a limitation at which the book shall be sold at retail by future purchasers, with whom there is no privity of contract," *Bobbs-Merrill*, 210 U.S. at 350, is equally as applicable to goods manufactured in the U.S. as to foreign-manufactured goods. *See also Liu* 2009 U.S. Dist. LEXIS 88569, at *17.

However, other considerations point the court in the opposite direction. The Act serves to protect a U.S. copyright holder from infringing imports and sales of products subject to its U.S. copyright, insofar as these imports and sales do not occur with its authorization or by operation of law. In contrast to its "first sales" in the United States, *Bobbs-Merrill*, 210 U.S. at 350 ("one who has sold a copyrighted article, without restriction, has parted with all right to control the sale of it"), a U.S. copyright holder is instead one step removed from the first sale abroad. Although a U.S. copyright holder does have a cause of action against a licensee foreign manufacturer, should said manufacturer choose to import the manufactured goods or sell to an unauthorized distributor, the same cannot be said for those to whom the manufacturer sells its goods. No privity of contract exists between the manufacturer and the subsequent buyer of the goods. In such a case, a foreign distributor can act, for its own advantage, as an arbitrageur and effectively bypass the contractual agreement by selling the goods in the U.S. market. Given the 1976 *increased* protection afforded U.S. copyright holders who decide to print abroad, it would not seem consistent with Congressional intent to retrench U.S. copyright holder's rights in this manner.

Furthermore, the Act should not be read to limit access to copyrighted materials.[23] If Kirtsaeng's posi-

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[23] Second- or third-degree geographic price discrimination can impose an "export subsidy" on U.S. consumers and encourage rent-seeking behavior and the use of government resources to protect against arbitrage. *See* Michael J. Muerer, *Copyright Law and Price Discrimination*, 23 Cardozo L. Rev. 55, 143-44

tion were adopted, U.S. copyright holders would have less incentive to license the printing of lower-priced editions in foreign countries as they would, in effect, lose U.S. copyright protection for, and profits on, their higher-priced U.S. works. Within the context of U.S. cooperation by way of copyright treaties with other countries, including Thailand,[24] and the potential to disrupt the availability of U.S. copyrighted educational and other literary materials in foreign nations, the court is uncomfortable with a result that limits the protection of the U.S. copyright holder. The intent of copyright protection seems to be, fundamentally, to encourage, rather than discourage, the broad publication of U.S.-copyrighted works.

*(5)* Quality King *Dicta*

Ultimately, the court is persuaded by the dicta in *Quality King*, which would limit section 109(a)'s cov-

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(2001). Yet in the case of goods arguably of high social utility, the overall social benefits of increasing access to such goods abroad by selling these goods at lower prices in foreign markets may outweigh the costs. *Cf. id.* at 144 (discussing prescription drugs); R. Polk Wagner, *Information Wants to Be Free: Intellectual Property and the Mythologies of Control*, 103 Colum. L. Rev. 995, 1027 (2003) (discussing "informational" goods).

[24] "The United States and Thailand, as members of the World Trade Organization, are members of the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement. *See* World Trade Organization, Understanding the WTO: the Organization, Members and Observers http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Oct. 13, 2009).

erage to U.S.-manufactured goods. The Court stated that "§ 602(a) [would] appl[y] to a category of copies that are neither piratical nor 'lawfully made under this title." *Quality King*, 523 U.S. at 147. This particular category "encompasses copies that were 'lawfully made' not under the United States Copyright Act, but instead, under the law of some other country." *Id.*

Based upon its analysis of the language of the 1961 Register's Report, *see supra*, as well as a subsequent 1964 panel discussion on market allocation agreements, the Court reasoned

> Even in the absence of a market allocation agreement between, for example, a publisher of the United States edition and a publisher of the British edition of the same work, each such publisher could make lawful copies. If the author of the work gave the exclusive United States distribution rights—enforceable under the Act—to the publisher of the United States edition and the exclusive British distribution rights to the publisher of the British edition, however, presumably only those made by the publisher of the United States edition would be "lawfully made under this title" within the meaning of § 109(a). The first sale doctrine would not provide the publisher of the British edition who decided to sell in the American market with a defense to an action under § 602(a) (or, for that matter, to an action under § 106(3), if there was a distribution of the copies).

*Id.* at 148 (footnote omitted). Thus, the Court indicated that only books manufactured and published in the United States are "lawfully made" under U.S. law and subject to the "first sale" defense provided in section 109.

Although the Second Circuit has not analyzed the exact circumstances as those currently before the court, a majority of courts addressing this issue have reached conclusions consistent with the *Quality King dicta* and contrary to Kirtsaeng's position. *See supra* note 16; *Liu*, 2009 U.S. Dist. LEXIS 88569, at *23-27 (following *Quality King* despite disagreement with its interpretation of sections 109(a) and 602(a)); 2 *Nimmer on Copyright* § 8.12[B][6][c]. *But see supra* note 17; *Red Baron*, 1988 U.S. Dist. LEXIS 15735, at *9-10; *Sebastian*, 847 F.2d at. 1098 (expressing disapproval of *Scorpio* analysis); *Cosmair. Inc.*, 1985 U.S. Dist. *LEXIS* 20922, at *9-10 (same).

Quality *King* thus determines the appropriate outcome in this case. Accordingly, the court concludes that the Supreme Court's unambiguous language, though *dicta*, is sufficient to resolve the uncertainties in interpreting the Act. Although this is perhaps an imperfect solution, given the valid concerns raised in both readings of sections 109 and 602, the court nonetheless will not extend section 109(a) to cover foreign-manufactured goods.[25]

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[25] Despite the reasoning in *Quality King*, the court is concerned about the institution of a bright-line rule here, if such a rule is taken to its logical conclusion. Should "lawfully made under this title" apply only to domestically-manufactured goods, this

*E. Application*

There is no indication that the imported books at issue here were manufactured pursuant to the U.S. Copyright Act nor has Kirtsaeng presented any evidence on this issue. To the contrary, the textbooks introduced as evidence purport, on their face, to have been published outside of the United States. In addition, the assignment provides Wiley Asia only the rights to print, publish, and sell the textbooks in the

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results in the phenomenon that, once imported, the goods manufactured abroad could provide the U.S. copyright holder with never-ending section 106(3) "exclusive distribution" protection against any subsequent sale, no matter how legitimate. *See* 2 *Nimmer on Copyrights* § 8.12 [B] [6] [a]. In other words, every time the owner of the imported goods sold such goods, he or she would be subject to liability for copyright infringement, regardless of how far that sale is removed from the first sale after importation. Some courts have limited the extent of liability for illegal importation, pursuant to section 602(a), to those involved in the first U.S. sale, *see, e.g.*, *Parfums Givenchy*, 38 F.3d at 481, or merely those importing the goods. *See, e.g.*, *Enesco Corp. v. Jan Bell Mktg.*, 992 F. Supp. 1021, 1023 (N.D. Ill. 1998). The latter interpretation is more in line with the language of section 602(a). *See infra* note 24. But these cases do not explain how section 106(3) liability could be cabined, and, indeed, the court can find no statutory support for imposing such a limitation.

However, the court does not have before it the particular question as to how far liability for violations of these sections could extend, but notes that the extension of such liability is not so absurd a result so as to counsel the court to ignore the *dicta* in *Quality King*. Further, individual importers and users of copyrighted materials printed abroad have some defenses available to a U.S. copyright holder's action. *See, e.g.*, 17 U.S.C. § 107; *id.* 602(a)(2).

territories, thus giving Wiley Asia, at best, copyrights under the laws of the countries existing within the territories. Wiley itself has retained all U.S. copyrights—as a consequence, the imported textbooks at issue could not have been manufactured "under" Title 17 of the U.S. Code. Thus, should Plaintiff establish his case, Kirtsaeng may not rely on a first sale and therefore may incur liability for violation of section 602(a)[26] and/or section 106(3).

## III. Kirtsaeng's Remaining Arguments in Support of a "First Sale" Defense

Kirtsaeng also asserts that Wiley's assignment of its Asian copyrights to Wiley Asia deprives Wiley of its right to enforce its section 106(3) exclusive U.S.

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[26] The plain language of section 602(a) only prevents unauthorized "importation" of U.S. copyrighted works. 17 U.S.C. § 602(a). "Importation" is defined as "[t]he bringing of goods into a country from another country." *Black's Law Dictionary* 824 (9th ed. 2009). *Accord Webster's II New Riverside University Dictionary* 614; *Enesco Corp.*, 992 F. Supp. at 1023. A defendant can nevertheless be held vicariously liable for copyright infringement if the defendant has (1) a "right and ability to supervise" infringing conduct and (2) an "obvious and direct financial interest..." *Softel, Inc. v. Dragon Med. & Scientific Commc'ns, Inc.*, 118 F.3d 955, 971 (2d Cir. 1997) (quoting *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (2d Cir. 1963)); see also 3 *Nimmer on Copyright* § 12.04[A][2]. Similarly, liability for contributory infringement involves participation in actions that contribute to infringement. *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 693, 706 (2d Cir. 1998); *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir. 1971); 3 *Nimmer on Copyright* § 12.04 [A][3]. The court leaves Plaintiff to prove, at trial, Kirtsaeng's section 602(a) liability.

distribution rights. Kirtsaeng appears to make two arguments here: (1) that Wiley "waived" its rights to exclusive distribution in the U.S. when it assigned the Asian copyright in an agreement that did not prohibit importation into the U.S. and (2) that somehow Wiley's assignment to Wiley Asia constituted a "first sale" pursuant to section 109(a). The Court has already disposed of Wiley's first argument by reading the Reprint Agreement to prevent sales of foreign editions outside of the territories, thereby preserving Wiley's exclusive U.S. distribution rights. Because Kirtsaeng has produced no evidence other than Wiley's Reprint Agreement, Kirtsaeng's waiver argument has no substance. As a matter of law, therefore, Kirtsaeng's waiver argument fails on the record before the court.

Kirtsaeng's second argument also fails. The Second Circuit has, in certain circumstances, held that a license to use a U.S. copyright can amount to a first sale. *See Bourne v. Walt Disney Co.*, 68 F.3d 621, 631-33 (2d Cir. 1995). In *Bourne*, the plaintiff granted Disney "various licenses to copyrighted compositions." *Id.* at 631. Plaintiff Bourne objected to Disney's "right to sell or publicly distribute the videocassettes that it produced." *Id.* The court ruled that the license agreement protected Disney under the first sale doctrine to "transfer the resulting videocassettes as it sees fit." *Id.* at 632. However, the *Bourne* license agreement did not contain a limit on sales and distribution, and instead granted Disney broad rights to the copyrighted materials. *Id.* at 624-25 (license agreement granted Disney "the right to record...such music...the right to ship, import and

export...any and all such mechanical recordings throughout the world, but only in connection with [Disney's] pictures...") (italics omitted). Further, because all the transactions and manufacturing of the videos at issue took place in the United States, the issue of the section 109 language never arose.[27] As such, *Bourne* does not control this case

## IV Standing

Finally, Kirtsaeng reasons that Wiley lacks standing to bring this action, and that the true party in interest here is Wiley Asia. ([Revised] Joint Pre-trial Order, Sched. F-2, ¶ 2.) This argument is also without merit. The issue is the importation—not the exportation—of the books for sale in the U.S., and therefore the pertinent issue in this action is whether the U.S. copyright was infringed upon. Wiley, who, despite its assignment of Asian copyrights to

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[27] The relevant license agreements were executed prior to the 1976 statutory revision. The pre-1976 language provided that "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work *the possession of which has been lawfully obtained.*" Copyright Act of 1909 § 41, 35 Stat. at 1084; Copyright Act of 1947 § 27, 61 Stat. at 660 (emphasis added). Clearly, Disney lawfully obtained the videos it created pursuant to the copyright license, so Disney satisfied the requirements. Moreover, section 101 of the Act now defines "transfer of copyright ownership" as including "an assignment...[or] exclusive license..." 17 U.S.C. § 101. This language materially differs from section 109(a) which applies to "the *owner of a particular copy*...lawfully made under this title." *Id.* § 109(a) (emphasis added). Section 202 also notes the distinction between the transfer of copyright ownership and the transfer of a particular copy of a work subject to copyright. *See id.* § 202.

Wiley Asia, is still the owner of the U.S. copyright and has standing to sue Kirtsaeng for infringement.

## V Conclusion

In light of the court's analysis, described above, of Kirtsaeng's proposed defenses in this action, it is hereby:

- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to the "first sale" doctrine; and it is hereby
- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense pursuant to waiver; and it is hereby
- ORDERED that Kirtsaeng is prohibited as a matter of law from raising a defense claiming lack of plaintiff's standing to bring this lawsuit.

Donald C. Pogue, Judge[28]

Dated: October 19, 2009
New York, New York

[28] Judge Donald C. Pogue of the United States Court of International Trade, sitting by designation.